
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-32195



GENWORTH FINANCIAL, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

6620 West Broad Street
Richmond, Virginia
(Address of Principal Executive Offices)

80-0873306
(I.R.S. Employer
Identification Number)

23230
(Zip Code)

(804) 281-6000
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 26, 2015, 497,464,957 shares of Class A Common Stock, par value \$0.001 per share, were outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

GENWORTH FINANCIAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in millions, except per share amounts)
(Unaudited)

	September 30, 2015	December 31, 2014
Assets		
Investments:		
Fixed maturity securities available-for-sale, at fair value	\$ 60,851	\$ 61,276
Equity securities available-for-sale, at fair value	273	275
Commercial mortgage loans	6,133	6,100
Restricted commercial mortgage loans related to securitization entities	175	201
Policy loans	1,567	1,501
Other invested assets	2,773	2,244
Restricted other invested assets related to securitization entities, at fair value	412	411
Total investments	72,184	72,008
Cash and cash equivalents	3,666	4,716
Accrued investment income	685	664
Deferred acquisition costs	4,437	4,849
Intangible assets	284	250
Goodwill	14	16
Reinsurance recoverable	17,276	17,314
Other assets	577	524
Separate account assets	7,893	9,208
Assets held for sale related to discontinued operations	1,206	1,809
Total assets	<u>\$ 108,222</u>	<u>\$ 111,358</u>
Liabilities and stockholders' equity		
Liabilities:		
Future policy benefits	\$ 36,472	\$ 35,915
Policyholder account balances	26,000	26,032
Liability for policy and contract claims	8,065	7,937
Unearned premiums	3,340	3,547
Other liabilities (\$42 and \$45 of other liabilities are related to securitization entities)	3,241	3,282
Borrowings related to securitization entities (\$80 and \$85 are at fair value)	188	219
Non-recourse funding obligations	1,951	1,996
Long-term borrowings	4,601	4,639
Deferred tax liability	201	858
Separate account liabilities	7,893	9,208
Liabilities held for sale related to discontinued operations	854	928
Total liabilities	92,806	94,561
Commitments and contingencies		
Stockholders' equity:		
Class A common stock, \$0.001 par value; 1.5 billion shares authorized; 586 million and 585 million shares issued as of September 30, 2015 and December 31, 2014, respectively; 497 million shares outstanding as of September 30, 2015 and December 31, 2014	1	1
Additional paid-in capital	11,944	11,997
Accumulated other comprehensive income (loss):		
Net unrealized investment gains (losses):		
Net unrealized gains (losses) on securities not other-than-temporarily impaired	1,709	2,431
Net unrealized gains (losses) on other-than-temporarily impaired securities	22	22
Net unrealized investment gains (losses)	1,731	2,453
Derivatives qualifying as hedges	2,130	2,070
Foreign currency translation and other adjustments	(383)	(77)
Total accumulated other comprehensive income (loss)	3,478	4,446
Retained earnings	856	1,179
Treasury stock, at cost (88 million shares as of September 30, 2015 and December 31, 2014)	(2,700)	(2,700)
Total Genworth Financial, Inc.'s stockholders' equity	13,579	14,923
Noncontrolling interests	1,837	1,874
Total stockholders' equity	15,416	16,797
Total liabilities and stockholders' equity	<u>\$ 108,222</u>	<u>\$ 111,358</u>

See Notes to Condensed Consolidated Financial Statements

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GENWORTH FINANCIAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in millions, except per share amounts)
(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Revenues:				
Premiums	\$ 1,145	\$ 1,210	\$ 3,422	\$ 3,486
Net investment income	783	778	2,357	2,345
Net investment gains (losses)	(51)	(27)	(59)	(11)
Insurance and investment product fees and other	223	229	672	680
Total revenues	<u>2,100</u>	<u>2,190</u>	<u>6,392</u>	<u>6,500</u>
Benefits and expenses:				
Benefits and other changes in policy reserves	1,290	1,934	3,714	4,282
Interest credited	179	185	540	552
Acquisition and operating expenses, net of deferrals	314	284	876	839
Amortization of deferred acquisition costs and intangibles	563	113	759	325
Goodwill impairment	—	550	—	550
Interest expense	105	104	315	327
Total benefits and expenses	<u>2,451</u>	<u>3,170</u>	<u>6,204</u>	<u>6,875</u>
Income (loss) from continuing operations before income taxes	(351)	(980)	188	(375)
Provision (benefit) for income taxes	(134)	(187)	27	(16)
Income (loss) from continuing operations	(217)	(793)	161	(359)
Income (loss) from discontinued operations, net of taxes	(21)	6	(334)	19
Net loss	(238)	(787)	(173)	(340)
Less: net income attributable to noncontrolling interests	46	57	150	144
Net loss available to Genworth Financial, Inc.'s common stockholders	<u>\$ (284)</u>	<u>\$ (844)</u>	<u>\$ (323)</u>	<u>\$ (484)</u>
Income (loss) from continuing operations available to Genworth Financial, Inc.'s common stockholders per common share:				
Basic	<u>\$ (0.53)</u>	<u>\$ (1.71)</u>	<u>\$ 0.02</u>	<u>\$ (1.01)</u>
Diluted	<u>\$ (0.53)</u>	<u>\$ (1.71)</u>	<u>\$ 0.02</u>	<u>\$ (1.01)</u>
Net loss available to Genworth Financial, Inc.'s common stockholders per common share:				
Basic	<u>\$ (0.57)</u>	<u>\$ (1.70)</u>	<u>\$ (0.65)</u>	<u>\$ (0.98)</u>
Diluted	<u>\$ (0.57)</u>	<u>\$ (1.70)</u>	<u>\$ (0.65)</u>	<u>\$ (0.98)</u>
Weighted-average common shares outstanding:				
Basic	<u>497.4</u>	<u>496.6</u>	<u>497.3</u>	<u>496.4</u>
Diluted	<u>497.4</u>	<u>496.6</u>	<u>499.0</u>	<u>496.4</u>
Supplemental disclosures:				
Total other-than-temporary impairments	\$ (10)	\$ (13)	\$ (13)	\$ (16)
Portion of other-than-temporary impairments included in other comprehensive income (loss)	1	7	1	7
Net other-than-temporary impairments	(9)	(6)	(12)	(9)
Other investments gains (losses)	(42)	(21)	(47)	(2)
Total net investment gains (losses)	<u>\$ (51)</u>	<u>\$ (27)</u>	<u>\$ (59)</u>	<u>\$ (11)</u>

See Notes to Condensed Consolidated Financial Statements

GENWORTH FINANCIAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in millions)
(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net loss	\$ (238)	\$ (787)	\$ (173)	\$ (340)
Other comprehensive income (loss), net of taxes:				
Net unrealized gains (losses) on securities not other-than-temporarily impaired	87	(68)	(728)	1,171
Net unrealized gains (losses) on other-than-temporarily impaired securities	—	1	—	8
Derivatives qualifying as hedges	217	101	60	434
Foreign currency translation and other adjustments	(302)	(379)	(619)	(252)
Total other comprehensive income (loss)	<u>2</u>	<u>(345)</u>	<u>(1,287)</u>	<u>1,361</u>
Total comprehensive income (loss)	(236)	(1,132)	(1,460)	1,021
Less: comprehensive income (loss) attributable to noncontrolling interests	(121)	(61)	(145)	56
Total comprehensive income (loss) available to Genworth Financial, Inc.'s common stockholders	<u>\$ (115)</u>	<u>\$ (1,071)</u>	<u>\$ (1,315)</u>	<u>\$ 965</u>

See Notes to Condensed Consolidated Financial Statements

GENWORTH FINANCIAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Amounts in millions)
(Unaudited)

	Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings	Treasury stock, at cost	Total Genworth Financial, Inc.'s stockholders' equity	Noncontrolling interests	Total stockholders' equity
Balances as of December 31, 2014	\$ 1	\$ 11,997	\$ 4,446	\$ 1,179	\$ (2,700)	\$ 14,923	\$ 1,874	\$ 16,797
Additional sale of subsidiary shares to noncontrolling interests	—	(65)	24	—	—	(41)	267	226
Repurchase of subsidiary shares	—	—	—	—	—	—	(17)	(17)
Comprehensive income (loss):								
Net income (loss)	—	—	—	(323)	—	(323)	150	(173)
Net unrealized gains (losses) on securities not other-than-temporarily impaired	—	—	(708)	—	—	(708)	(20)	(728)
Net unrealized gains (losses) on other-than-temporarily impaired securities	—	—	—	—	—	—	—	—
Derivatives qualifying as hedges	—	—	60	—	—	60	—	60
Foreign currency translation and other adjustments	—	—	(344)	—	—	(344)	(275)	(619)
Total comprehensive income (loss)	—	—	—	—	—	(1,315)	(145)	(1,460)
Dividends to noncontrolling interests	—	—	—	—	—	—	(145)	(145)
Stock-based compensation expense and exercises and other	—	12	—	—	—	12	3	15
Balances as of September 30, 2015	\$ 1	\$ 11,944	\$ 3,478	\$ 856	\$ (2,700)	\$ 13,579	\$ 1,837	\$ 15,416
Balances as of December 31, 2013	\$ 1	\$ 12,127	\$ 2,542	\$ 2,423	\$ (2,700)	\$ 14,393	\$ 1,227	\$ 15,620
Initial sale of subsidiary shares to noncontrolling interests	—	(145)	(57)	—	—	(202)	713	511
Comprehensive income (loss):								
Net income (loss)	—	—	—	(484)	—	(484)	144	(340)
Net unrealized gains (losses) on securities not other-than-temporarily impaired	—	—	1,155	—	—	1,155	16	1,171
Net unrealized gains (losses) on other-than-temporarily impaired securities	—	—	8	—	—	8	—	8
Derivatives qualifying as hedges	—	—	434	—	—	434	—	434
Foreign currency translation and other adjustments	—	—	(148)	—	—	(148)	(104)	(252)
Total comprehensive income (loss)	—	—	—	—	—	965	56	1,021
Dividends to noncontrolling interests	—	—	—	—	—	—	(46)	(46)
Stock-based compensation expense and exercises and other	—	9	—	—	—	9	6	15
Balances as of September 30, 2014	\$ 1	\$ 11,991	\$ 3,934	\$ 1,939	\$ (2,700)	\$ 15,165	\$ 1,956	\$ 17,121

See Notes to Condensed Consolidated Financial Statements

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GENWORTH FINANCIAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in millions)
(Unaudited)

	Nine months ended September 30,	
	2015	2014
Cash flows from operating activities:		
Net loss	\$ (173)	\$ (340)
Less (income) loss from discontinued operations, net of taxes	334	(19)
Adjustments to reconcile net loss to net cash from operating activities:		
Amortization of fixed maturity securities discounts and premiums and limited partnerships	(80)	(97)
Net investment losses (gains)	59	11
Charges assessed to policyholders	(586)	(580)
Acquisition costs deferred	(226)	(282)
Amortization of deferred acquisition costs and intangibles	759	325
Goodwill impairment	—	550
Deferred income taxes	(117)	(186)
Net increase (decrease) in trading securities, held-for-sale investments and derivative instruments	(247)	110
Stock-based compensation expense	14	19
Change in certain assets and liabilities:		
Accrued investment income and other assets	(133)	(175)
Insurance reserves	1,270	1,260
Current tax liabilities	(71)	(185)
Other liabilities, policy and contract claims and other policy-related balances	352	731
Cash from operating activities—discontinued operations	3	(2)
Net cash from operating activities	<u>1,158</u>	<u>1,140</u>
Cash flows from investing activities:		
Proceeds from maturities and repayments of investments:		
Fixed maturity securities	3,389	3,638
Commercial mortgage loans	640	528
Restricted commercial mortgage loans related to securitization entities	27	24
Proceeds from sales of investments:		
Fixed maturity and equity securities	1,333	1,651
Purchases and originations of investments:		
Fixed maturity and equity securities	(6,836)	(7,202)
Commercial mortgage loans	(678)	(709)
Other invested assets, net	(39)	104
Policy loans, net	23	11
Cash from investing activities—discontinued operations	(22)	(48)
Net cash from investing activities	<u>(2,163)</u>	<u>(2,003)</u>
Cash flows from financing activities:		
Deposits to universal life and investment contracts	1,693	2,201
Withdrawals from universal life and investment contracts	(1,677)	(1,950)
Redemption of non-recourse funding obligations	(45)	(28)
Proceeds from issuance of long-term debt	150	144
Repayment and repurchase of long-term debt	(120)	(621)
Repayment of borrowings related to securitization entities	(26)	(24)
Proceeds from sale of subsidiary shares to noncontrolling interests	226	517
Repurchase of subsidiary shares	(17)	—
Dividends paid to noncontrolling interests	(145)	(46)
Other, net	(25)	(19)
Cash from financing activities—discontinued operations	(33)	(25)
Net cash from financing activities	<u>(19)</u>	<u>149</u>
Effect of exchange rate changes on cash and cash equivalents (includes \$(8) and \$(3) related to discontinued operations)	(86)	(23)
Net change in cash and cash equivalents	(1,110)	(737)
Cash and cash equivalents at beginning of period	4,918	4,214
Cash and cash equivalents at end of period	3,808	3,477
Less cash and cash equivalents of discontinued operations at end of period	142	193
Cash and cash equivalents of continuing operations at end of period	<u>\$ 3,666</u>	<u>\$ 3,284</u>

See Notes to Condensed Consolidated Financial Statements

GENWORTH FINANCIAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Formation of Genworth and Basis of Presentation

Genworth Holdings, Inc. (“Genworth Holdings”) (formerly known as Genworth Financial, Inc.) was incorporated in Delaware in 2003 in preparation for an initial public offering of Genworth common stock, which was completed on May 28, 2004. On April 1, 2013, Genworth Holdings completed a holding company reorganization pursuant to which Genworth Holdings became a direct, 100% owned subsidiary of a new public holding company that it had formed. The new public holding company was incorporated in Delaware on December 5, 2012, in connection with the reorganization, under the name Sub XLVI, Inc., and was renamed Genworth Financial, Inc. (“Genworth Financial”) upon the completion of the reorganization.

The accompanying unaudited condensed financial statements include on a consolidated basis the accounts of Genworth Financial and the affiliate companies in which it holds a majority voting interest or where it is the primary beneficiary of a variable interest entity (“VIE”). All intercompany accounts and transactions have been eliminated in consolidation.

References to “Genworth,” the “Company,” “we” or “our” in the accompanying condensed consolidated financial statements and these notes thereto are, unless the context otherwise requires, to Genworth Financial on a consolidated basis.

We have the following operating segments:

- **International Mortgage Insurance.** We are a leading provider of mortgage insurance products and related services in Canada and Australia and also participate in select European and other countries. Our products predominantly insure prime-based, individually underwritten residential mortgage loans, also known as flow mortgage insurance. We also selectively provide mortgage insurance on a structured, or bulk, basis that aids in the sale of mortgages to the capital markets and helps lenders manage capital and risk. Additionally, we offer services, analytical tools and technology that enable lenders to operate efficiently and manage risk.
- **U.S. Mortgage Insurance.** In the United States, we offer mortgage insurance products predominantly insuring prime-based, individually underwritten residential mortgage loans, also known as flow mortgage insurance. We selectively provide mortgage insurance on a bulk basis with essentially all of our bulk writings being prime-based. Additionally, we offer services, analytical tools and technology that enable lenders to operate efficiently and manage risk.
- **U.S. Life Insurance.** We offer and manage a variety of insurance and fixed annuity products in the United States. Our primary products include long-term care insurance, life insurance and fixed annuities.
- **Runoff.** The Runoff segment includes the results of non-strategic products which are no longer actively sold. Our non-strategic products primarily include our variable annuity, variable life insurance, institutional, corporate-owned life insurance and other accident and health insurance products. Institutional products consist of funding agreements, funding agreements backing notes (“FABNs”) and guaranteed investment contracts (“GICs”). We no longer offer retail and group variable annuities but continue to service our existing blocks of business.

We also have Corporate and Other activities which include debt financing expenses that are incurred at the Genworth Holdings level, unallocated corporate income and expenses, eliminations of inter-segment transactions and the results of other non-core businesses that are managed outside of our operating segments, including discontinued operations.

GENWORTH FINANCIAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

In June 2015, our Board of Directors approved a transaction to sell our lifestyle protection insurance business, which had previously been designated as a non-core business. As the held-for-sale criteria were satisfied during the second quarter of 2015, we recorded an estimated loss to reduce the carrying value of the business to the fair value less pension settlement costs and closing costs. Our lifestyle protection insurance business, previously the only business in the International Protection segment, has been reported as discontinued operations and its financial position, results of operations and cash flows are separately reported for all periods presented. All prior periods reflected herein have been re-presented on this basis. See note 15 for additional information.

The accompanying condensed consolidated financial statements are unaudited and have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). Preparing financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates. These unaudited condensed consolidated financial statements include all adjustments (including normal recurring adjustments) considered necessary by management to present a fair statement of the financial position, results of operations and cash flows for the periods presented. The results reported in these unaudited condensed consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. The unaudited condensed consolidated financial statements included herein should be read in conjunction with the audited consolidated financial statements and related notes contained in our 2014 Annual Report on Form 10-K. Certain prior year amounts have been reclassified to conform to the current year presentation.

We have revised our condensed consolidated statement of cash flows previously reported in our Quarterly Report on Form 10-Q for the nine months ended September 30, 2014 to reflect a correction related to the calculation of the change in reinsurance recoverable that impacted the lines “insurance reserves” and “other liabilities, policy and contract claims and other policy-related balances.” As a result, the change in insurance reserves decreased by \$514 million and the change in other liabilities, policy and contract claims and other policy-related balances increased by \$514 million. The revisions had no impact on net cash flows from operating activities or the total change in cash and cash equivalents within our condensed consolidated statement of cash flows. Additionally, there was no impact on our unaudited condensed consolidated balance sheet or unaudited condensed consolidated statement of income.

(2) Accounting Changes

a) Accounting Pronouncements Recently Adopted

On January 1, 2015, we early adopted new accounting guidance related to measuring the financial assets and financial liabilities of a consolidated collateralized financing entity. The guidance addresses the accounting for the measurement difference between the fair value of financial assets and the fair value of financial liabilities of a collateralized financing entity. The new guidance provides an alternative whereby a reporting entity could measure the financial assets and financial liabilities of the collateralized financing entity in its consolidated financial statements using the more observable of the fair values. There was no impact on our consolidated financial statements.

On January 1, 2015, we adopted new accounting guidance related to the accounting for repurchase-to-maturity transactions and repurchase financings. The new guidance changed the accounting for repurchase-to-maturity transactions and repurchase financing such that they were consistent with secured borrowing accounting. In addition, the guidance required new disclosures for all repurchase agreements and securities

GENWORTH FINANCIAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

lending transactions which were effective beginning in the second quarter of 2015. We do not have repurchase-to-maturity transactions, but have repurchase agreements and securities lending transactions that are subject to additional disclosures. This new guidance did not have an impact on our consolidated financial statements but did impact our disclosures.

On January 1, 2015, we adopted new accounting guidance related to the accounting for investments in affordable housing projects that qualify for the low-income housing tax credit. The new guidance permits reporting entities to make an accounting policy election to account for investments in qualified affordable housing projects by amortizing the initial cost of the investment in proportion to the tax benefits received and recognize the net investment performance as a component of income tax expense (called the proportional amortization method) if certain conditions are met. The new guidance requires use of the equity method or cost method for investments in qualified affordable housing projects not accounted for using the proportional amortization method. The adoption of this new guidance did not have a material impact on our consolidated financial statements.

On January 1, 2015, we early adopted new accounting guidance related to the accounting for share-based payment awards when the terms of an award provide that a performance target can be achieved after the requisite service period. The guidance requires that such performance targets should not be reflected in estimating the grant-date fair value of an award, and that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved. We have a performance stock unit plan where awards for employees who are retirement eligible can vest on a pro-rata basis upon retirement even if retirement occurs before the performance target is achieved. There was no impact on our consolidated financial statements.

b) Accounting Pronouncement Not Yet Adopted

In May 2015, the Financial Accounting Standards Board (the "FASB") issued new disclosure requirements for short-duration insurance contracts. The new guidance requires additional disclosures on short-duration policy and contract claims liabilities for incurred and paid claims development, unpaid claims and claims frequency. These new disclosures will be effective for us on December 31, 2016 with early adoption permitted and will only impact our mortgage insurance disclosures.

In April 2015, the FASB issued new guidance related to the presentation of debt issuance costs. This guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. In August 2015, the FASB issued new guidance further clarifying that companies can make the election to present debt issuance costs related to revolving credit facilities as either an asset or as a direct deduction from the carrying amount of that debt liability. The new guidance related to debt issuance costs are both effective for us on January 1, 2016 and are required to be applied on a retrospective basis. We plan to early adopt this new guidance as of December 31, 2015 and expect approximately \$45 million presented in other assets to be deducted from debt liabilities in our consolidated financial statements upon adoption.

In February 2015, the FASB issued new accounting guidance related to consolidation. This guidance primarily impacts limited partnerships and similar legal entities, evaluation of fees paid to a decision maker as a variable interest, the effect of fee arrangements and related parties on the primary beneficiary determination and certain investment funds. This guidance is effective for us on January 1, 2016, with early adoption permitted. While we are in the process of determining the impact of this new guidance, we do not believe the impact will be significant to our consolidated financial statements.

GENWORTH FINANCIAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(3) Earnings (Loss) Per Share

Basic and diluted earnings (loss) per share are calculated by dividing each income (loss) category presented below by the weighted-average basic and diluted common shares outstanding for the periods indicated:

(Amounts in millions, except per share amounts)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Weighted-average common shares used in basic earnings (loss) per common share calculations	497.4	496.6	497.3	496.4
Potentially dilutive securities:				
Stock options, restricted stock units and stock appreciation rights	—	—	1.7	—
Weighted-average common shares used in diluted earnings (loss) per common share calculations ⁽¹⁾	<u>497.4</u>	<u>496.6</u>	<u>499.0</u>	<u>496.4</u>
Income (loss) from continuing operations:				
Income (loss) from continuing operations	\$ (217)	\$ (793)	\$ 161	\$ (359)
Less: income from continuing operations attributable to noncontrolling interests	46	57	150	144
Income (loss) from continuing operations available to Genworth Financial, Inc.'s common stockholders	<u>\$ (263)</u>	<u>\$ (850)</u>	<u>\$ 11</u>	<u>\$ (503)</u>
Basic per common share	<u>\$ (0.53)</u>	<u>\$ (1.71)</u>	<u>\$ 0.02</u>	<u>\$ (1.01)</u>
Diluted per common share	<u>\$ (0.53)</u>	<u>\$ (1.71)</u>	<u>\$ 0.02</u>	<u>\$ (1.01)</u>
Income (loss) from discontinued operations:				
Income (loss) from discontinued operations, net of taxes	\$ (21)	\$ 6	\$ (334)	\$ 19
Less: income from discontinued operations, net of taxes, attributable to noncontrolling interests	—	—	—	—
Income (loss) from discontinued operations, net of taxes, available to Genworth Financial, Inc.'s common stockholders	<u>\$ (21)</u>	<u>\$ 6</u>	<u>\$ (334)</u>	<u>\$ 19</u>
Basic per common share	<u>\$ (0.04)</u>	<u>\$ 0.01</u>	<u>\$ (0.67)</u>	<u>\$ 0.04</u>
Diluted per common share	<u>\$ (0.04)</u>	<u>\$ 0.01</u>	<u>\$ (0.67)</u>	<u>\$ 0.04</u>
Net income (loss):				
Income (loss) from continuing operations	\$ (217)	\$ (793)	\$ 161	\$ (359)
Income (loss) from discontinued operations, net of taxes	(21)	6	(334)	19
Net loss	(238)	(787)	(173)	(340)
Less: net income attributable to noncontrolling interests	46	57	150	144
Net loss available to Genworth Financial, Inc.'s common stockholders	<u>\$ (284)</u>	<u>\$ (844)</u>	<u>\$ (323)</u>	<u>\$ (484)</u>
Basic per common share	<u>\$ (0.57)</u>	<u>\$ (1.70)</u>	<u>\$ (0.65)</u>	<u>\$ (0.98)</u>
Diluted per common share	<u>\$ (0.57)</u>	<u>\$ (1.70)</u>	<u>\$ (0.65)</u>	<u>\$ (0.98)</u>

(1) Under applicable accounting guidance, companies in a loss position are required to use basic weighted-average common shares outstanding in the calculation of diluted loss per share. Therefore, as a result of our loss from continuing operations available to Genworth Financial, Inc.'s common stockholders and net loss available to Genworth Financial, Inc.'s common stockholders for the three months ended September 30, 2015 and the three and nine months ended September 30, 2014, we were required to use basic weighted-average common shares outstanding in the calculation of diluted loss per share for the three months ended September 30, 2015 and the three and nine months ended September 30, 2014, as the inclusion of shares for stock options, restricted stock units and stock appreciation rights of 1.3 million, 5.4 million and 6.4 million, respectively, would have been antidilutive to the calculation. If we had not incurred a loss from continuing operations available to Genworth Financial, Inc.'s common stockholders and net loss available to Genworth Financial, Inc.'s common stockholders for the three months ended September 30, 2015 and the three and nine months ended September 30, 2014, dilutive potential weighted-average common shares outstanding would have been 498.7 million, 502.0 million and 502.8 million, respectively.

GENWORTH FINANCIAL, INC.
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(4) Investments*(a) Net Investment Income*

Sources of net investment income were as follows for the periods indicated:

(Amounts in millions)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Fixed maturity securities—taxable	\$ 647	\$ 643	\$ 1,924	\$ 1,940
Fixed maturity securities—non-taxable	3	3	9	9
Commercial mortgage loans	84	82	252	246
Restricted commercial mortgage loans related to securitization entities	3	3	10	11
Equity securities	3	3	11	11
Other invested assets	26	27	103	81
Restricted other invested assets related to securitization entities	1	1	3	3
Policy loans	33	32	101	95
Cash, cash equivalents and short-term investments	3	7	10	19
Gross investment income before expenses and fees	803	801	2,423	2,415
Expenses and fees	(20)	(23)	(66)	(70)
Net investment income	<u>\$ 783</u>	<u>\$ 778</u>	<u>\$ 2,357</u>	<u>\$ 2,345</u>

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(b) Net Investment Gains (Losses)

The following table sets forth net investment gains (losses) for the periods indicated:

(Amounts in millions)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Available-for-sale securities:				
Realized gains	\$ 14	\$ 17	\$ 49	\$ 61
Realized losses	(18)	(5)	(36)	(42)
Net realized gains (losses) on available-for-sale securities	(4)	12	13	19
Impairments:				
Total other-than-temporary impairments	(10)	(13)	(13)	(16)
Portion of other-than-temporary impairments included in other comprehensive income (loss)	1	7	1	7
Net other-than-temporary impairments	(9)	(6)	(12)	(9)
Trading securities	12	4	2	24
Commercial mortgage loans	1	3	5	9
Net gains (losses) related to securitization entities	(1)	(1)	9	14
Derivative instruments (1)	(53)	(38)	(79)	(66)
Contingent consideration adjustment	2	(1)	2	(1)
Other	1	—	1	(1)
Net investment gains (losses)	\$ (51)	\$ (27)	\$ (59)	\$ (11)

(1) See note 5 for additional information on the impact of derivative instruments included in net investment gains (losses).

We generally intend to hold securities in unrealized loss positions until they recover. However, from time to time, our intent on an individual security may change, based upon market or other unforeseen developments. In such instances, we sell securities in the ordinary course of managing our portfolio to meet diversification, credit quality, yield and liquidity requirements. If a loss is recognized from a sale subsequent to a balance sheet date due to these unexpected developments, the loss is recognized in the period in which we determined that we have the intent to sell the securities or it is more likely than not that we will be required to sell the securities prior to recovery. The aggregate fair value of securities sold at a loss during the three months ended September 30, 2015 and 2014 was \$186 million and \$215 million, respectively, which was approximately 93% and 98%, respectively, of book value. The aggregate fair value of securities sold at a loss during the nine months ended September 30, 2015 and 2014 was \$470 million and \$721 million, respectively, which was approximately 94% and 95%, respectively, of book value.

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The following represents the activity for credit losses recognized in net income (loss) on debt securities where an other-than-temporary impairment was identified and a portion of other-than-temporary impairments was included in other comprehensive income (loss) (“OCI”) as of and for the periods indicated:

(Amounts in millions)	As of or for the three months ended September 30,		As of or for the nine months ended September 30,	
	2015	2014	2015	2014
Beginning balance	\$ 75	\$ 95	\$ 83	\$ 101
Additions:				
Other-than-temporary impairments not previously recognized	—	1	—	2
Reductions:				
Securities sold, paid down or disposed	(9)	(7)	(17)	(14)
Ending balance	\$ 66	\$ 89	\$ 66	\$ 89

(c) Unrealized Investment Gains and Losses

Net unrealized gains and losses on available-for-sale investment securities reflected as a separate component of accumulated other comprehensive income (loss) were as follows as of the dates indicated:

(Amounts in millions)	September 30, 2015	December 31, 2014
Net unrealized gains (losses) on investment securities:		
Fixed maturity securities	\$ 4,213	\$ 5,560
Equity securities	(17)	32
Other invested assets	—	(2)
Subtotal	4,196	5,590
Adjustments to deferred acquisition costs, present value of future profits, sales inducements and benefit reserves	(1,386)	(1,656)
Income taxes, net	(976)	(1,372)
Net unrealized investment gains (losses)	1,834	2,562
Less: net unrealized investment gains (losses) attributable to noncontrolling interests	103	109
Net unrealized investment gains (losses) attributable to Genworth Financial, Inc.	\$ 1,731	\$ 2,453

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The change in net unrealized gains (losses) on available-for-sale investment securities reported in accumulated other comprehensive income (loss) was as follows as of and for the periods indicated:

(Amounts in millions)	As of or for the three months ended September 30,	
	2015	2014
Beginning balance	\$ 1,628	\$ 2,128
Unrealized gains (losses) arising during the period:		
Unrealized gains (losses) on investment securities	70	(225)
Adjustment to deferred acquisition costs	32	35
Adjustment to present value of future profits	(5)	36
Adjustment to sales inducements	9	9
Adjustment to benefit reserves	23	49
Provision for income taxes	(50)	33
Change in unrealized gains (losses) on investment securities	79	(63)
Reclassification adjustments to net investment (gains) losses, net of taxes of \$(5) and \$2	8	(4)
Change in net unrealized investment gains (losses)	87	(67)
Less: change in net unrealized investment gains (losses) attributable to noncontrolling interests	(16)	(6)
Ending balance	<u>\$ 1,731</u>	<u>\$ 2,067</u>

(Amounts in millions)	As of or for the nine months ended September 30,	
	2015	2014
Beginning balance	\$ 2,453	\$ 926
Unrealized gains (losses) arising during the period:		
Unrealized gains (losses) on investment securities	(1,393)	2,399
Adjustment to deferred acquisition costs	102	(160)
Adjustment to present value of future profits	45	(55)
Adjustment to sales inducements	12	(19)
Adjustment to benefit reserves	111	(339)
Provision for income taxes	396	(640)
Change in unrealized gains (losses) on investment securities	(727)	1,186
Reclassification adjustments to net investment (gains) losses, net of taxes of \$— and \$4	(1)	(7)
Change in net unrealized investment gains (losses)	(728)	1,179
Less: change in net unrealized investment gains (losses) attributable to noncontrolling interests	(6)	38
Ending balance	<u>\$ 1,731</u>	<u>\$ 2,067</u>

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(d) Fixed Maturity and Equity Securities

As of September 30, 2015, the amortized cost or cost, gross unrealized gains (losses) and fair value of our fixed maturity and equity securities classified as available-for-sale were as follows:

(Amounts in millions)	Amortized cost or cost	Gross unrealized gains		Gross unrealized losses		Fair value
		Not other-than- temporarily impaired	Other-than- temporarily impaired	Not other-than- temporarily impaired	Other-than- temporarily impaired	
Fixed maturity securities:						
U.S. government, agencies and government-sponsored enterprises	\$ 5,065	\$ 855	\$ —	\$ (7)	\$ —	\$ 5,913
State and political subdivisions	2,280	195	—	(27)	—	2,448
Non-U.S. government	1,836	120	—	(4)	—	1,952
U.S. corporate:						
Utilities	3,398	420	—	(18)	—	3,800
Energy	2,664	178	—	(71)	—	2,771
Finance and insurance	5,422	447	17	(37)	—	5,849
Consumer—non-cyclical	3,742	423	—	(23)	—	4,142
Technology and communications	2,292	144	—	(28)	—	2,408
Industrial	1,254	75	—	(28)	—	1,301
Capital goods	1,873	215	—	(11)	—	2,077
Consumer—cyclical	1,732	114	—	(13)	—	1,833
Transportation	1,012	89	—	(10)	—	1,091
Other	399	27	—	(3)	—	423
Total U.S. corporate	<u>23,788</u>	<u>2,132</u>	<u>17</u>	<u>(242)</u>	<u>—</u>	<u>25,695</u>
Non-U.S. corporate:						
Utilities	861	42	—	(6)	—	897
Energy	1,856	105	—	(70)	—	1,891
Finance and insurance	2,709	173	1	(6)	—	2,877
Consumer—non-cyclical	740	30	—	(15)	—	755
Technology and communications	975	43	—	(22)	—	996
Industrial	1,129	34	—	(67)	—	1,096
Capital goods	600	25	—	(15)	—	610
Consumer—cyclical	561	10	—	(5)	—	566
Transportation	556	59	—	(4)	—	611
Other	2,706	218	—	(24)	—	2,900
Total non-U.S. corporate	<u>12,693</u>	<u>739</u>	<u>1</u>	<u>(234)</u>	<u>—</u>	<u>13,199</u>
Residential mortgage-backed	4,728	389	11	(10)	—	5,118
Commercial mortgage-backed	2,464	126	4	(7)	—	2,587
Other asset-backed	3,953	25	1	(40)	—	3,939
Total fixed maturity securities	<u>56,807</u>	<u>4,581</u>	<u>34</u>	<u>(571)</u>	<u>—</u>	<u>60,851</u>
Equity securities	<u>300</u>	<u>5</u>	<u>—</u>	<u>(32)</u>	<u>—</u>	<u>273</u>
Total available-for-sale securities	<u>\$ 57,107</u>	<u>\$ 4,586</u>	<u>\$ 34</u>	<u>\$ (603)</u>	<u>\$ —</u>	<u>\$61,124</u>

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As of December 31, 2014, the amortized cost or cost, gross unrealized gains (losses) and fair value of our fixed maturity and equity securities classified as available-for-sale were as follows:

(Amounts in millions)	Amortized cost or cost	Gross unrealized gains		Gross unrealized losses		Fair value
		Not other-than- temporarily impaired	Other-than- temporarily impaired	Not other-than- temporarily impaired	Other-than- temporarily impaired	
Fixed maturity securities:						
U.S. government, agencies and government-sponsored enterprises	\$ 5,006	\$ 995	\$ —	\$ (1)	\$ —	\$ 6,000
State and political subdivisions	2,013	236	—	(27)	—	2,222
Non-U.S. government	1,778	144	—	(2)	—	1,920
U.S. corporate:						
Utilities	3,292	577	—	(5)	—	3,864
Energy	2,498	265	—	(21)	—	2,742
Finance and insurance	5,109	537	20	(13)	—	5,653
Consumer—non-cyclical	3,489	538	—	(8)	—	4,019
Technology and communications	2,112	217	—	(4)	—	2,325
Industrial	1,195	100	—	(8)	—	1,287
Capital goods	1,748	263	—	(5)	—	2,006
Consumer—cyclical	1,750	158	—	(8)	—	1,900
Transportation	929	114	—	(4)	—	1,039
Other	370	31	—	—	—	401
Total U.S. corporate	<u>22,492</u>	<u>2,800</u>	<u>20</u>	<u>(76)</u>	<u>—</u>	<u>25,236</u>
Non-U.S. corporate:						
Utilities	867	48	—	(2)	—	913
Energy	1,925	163	—	(38)	—	2,050
Finance and insurance	2,812	203	—	(3)	—	3,012
Consumer—non-cyclical	780	41	—	(9)	—	812
Technology and communications	999	71	—	(4)	—	1,066
Industrial	1,178	65	—	(18)	—	1,225
Capital goods	605	31	—	(5)	—	631
Consumer—cyclical	535	14	—	—	—	549
Transportation	525	70	—	(1)	—	594
Other	3,169	257	—	(15)	—	3,411
Total non-U.S. corporate	<u>13,395</u>	<u>963</u>	<u>—</u>	<u>(95)</u>	<u>—</u>	<u>14,263</u>
Residential mortgage-backed	4,871	362	13	(17)	(1)	5,228
Commercial mortgage-backed	2,564	143	4	(9)	—	2,702
Other asset-backed	3,735	23	1	(54)	—	3,705
Total fixed maturity securities	<u>55,854</u>	<u>5,666</u>	<u>38</u>	<u>(281)</u>	<u>(1)</u>	<u>61,276</u>
Equity securities	250	32	—	(7)	—	275
Total available-for-sale securities	<u>\$ 56,104</u>	<u>\$ 5,698</u>	<u>\$ 38</u>	<u>\$ (288)</u>	<u>\$ (1)</u>	<u>\$61,551</u>

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The following table presents the gross unrealized losses and fair values of our investment securities, aggregated by investment type and length of time that individual investment securities have been in a continuous unrealized loss position, as of September 30, 2015:

(Dollar amounts in millions) Description of Securities	Less than 12 months			12 months or more			Total		
	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	Number of securities
Fixed maturity securities:									
U.S. government, agencies and government-sponsored enterprises	\$ 406	\$ (7)	10	\$ —	\$ —	—	\$ 406	\$ (7)	10
State and political subdivisions	334	(10)	54	155	(17)	16	489	(27)	70
Non-U.S. government	148	(4)	33	—	—	—	148	(4)	33
U.S. corporate	4,313	(198)	632	429	(44)	69	4,742	(242)	701
Non-U.S. corporate	2,643	(165)	371	376	(69)	56	3,019	(234)	427
Residential mortgage-backed	396	(5)	37	109	(5)	38	505	(10)	75
Commercial mortgage-backed	320	(6)	54	50	(1)	14	370	(7)	68
Other asset-backed	870	(5)	165	330	(35)	55	1,200	(40)	220
Subtotal, fixed maturity securities	9,430	(400)	1,356	1,449	(171)	248	10,879	(571)	1,604
Equity securities	182	(32)	65	—	—	—	182	(32)	65
Total for securities in an unrealized loss position	<u>\$9,612</u>	<u>\$ (432)</u>	<u>1,421</u>	<u>\$1,449</u>	<u>\$ (171)</u>	<u>248</u>	<u>\$11,061</u>	<u>\$ (603)</u>	<u>1,669</u>
% Below cost—fixed maturity securities:									
<20% Below cost	\$9,298	\$ (340)	1,329	\$1,238	\$ (78)	219	\$10,536	\$ (418)	1,548
20%-50% Below cost	127	(50)	25	206	(86)	27	333	(136)	52
>50% Below cost	5	(10)	2	5	(7)	2	10	(17)	4
Total fixed maturity securities	<u>9,430</u>	<u>(400)</u>	<u>1,356</u>	<u>1,449</u>	<u>(171)</u>	<u>248</u>	<u>10,879</u>	<u>(571)</u>	<u>1,604</u>
% Below cost—equity securities:									
<20% Below cost	106	(9)	41	—	—	—	106	(9)	41
20%-50% Below cost	76	(23)	24	—	—	—	76	(23)	24
Total equity securities	<u>182</u>	<u>(32)</u>	<u>65</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>182</u>	<u>(32)</u>	<u>65</u>
Total for securities in an unrealized loss position	<u>\$9,612</u>	<u>\$ (432)</u>	<u>1,421</u>	<u>\$1,449</u>	<u>\$ (171)</u>	<u>248</u>	<u>\$11,061</u>	<u>\$ (603)</u>	<u>1,669</u>
Investment grade	\$8,632	\$ (332)	1,248	\$1,194	\$ (105)	199	\$ 9,826	\$ (437)	1,447
Below investment grade	980	(100)	173	255	(66)	49	1,235	(166)	222
Total for securities in an unrealized loss position	<u>\$9,612</u>	<u>\$ (432)</u>	<u>1,421</u>	<u>\$1,449</u>	<u>\$ (171)</u>	<u>248</u>	<u>\$11,061</u>	<u>\$ (603)</u>	<u>1,669</u>

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The following table presents the gross unrealized losses and fair values of our corporate securities, aggregated by investment type and length of time that individual investment securities have been in a continuous unrealized loss position, based on industry, as of September 30, 2015:

(Dollar amounts in millions) Description of Securities	Less than 12 months			12 months or more			Total		
	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	Number of securities
U.S. corporate:									
Utilities	\$ 329	\$ (17)	51	\$ 12	\$ (1)	6	\$ 341	\$ (18)	57
Energy	808	(58)	124	106	(13)	15	914	(71)	139
Finance and insurance	903	(26)	125	102	(11)	15	1,005	(37)	140
Consumer—non-cyclical	522	(19)	74	56	(4)	11	578	(23)	85
Technology and communications	604	(28)	89	—	—	—	604	(28)	89
Industrial	355	(19)	50	42	(9)	8	397	(28)	58
Capital goods	256	(8)	42	25	(3)	4	281	(11)	46
Consumer—cyclical	316	(11)	48	64	(2)	8	380	(13)	56
Transportation	166	(9)	24	22	(1)	2	188	(10)	26
Other	54	(3)	5	—	—	—	54	(3)	5
Subtotal, U.S. corporate securities	4,313	(198)	632	429	(44)	69	4,742	(242)	701
Non-U.S. corporate:									
Utilities	111	(4)	17	27	(2)	3	138	(6)	20
Energy	554	(55)	68	104	(15)	13	658	(70)	81
Finance and insurance	441	(6)	65	30	—	7	471	(6)	72
Consumer—non-cyclical	214	(12)	24	32	(3)	3	246	(15)	27
Technology and communications	255	(10)	36	28	(12)	6	283	(22)	42
Industrial	442	(42)	62	104	(25)	15	546	(67)	77
Capital goods	137	(10)	25	7	(5)	3	144	(15)	28
Consumer—cyclical	170	(5)	21	—	—	—	170	(5)	21
Transportation	105	(4)	15	—	—	—	105	(4)	15
Other	214	(17)	38	44	(7)	6	258	(24)	44
Subtotal, non-U.S. corporate securities	2,643	(165)	371	376	(69)	56	3,019	(234)	427
Total for corporate securities in an unrealized loss position	\$6,956	\$ (363)	1,003	\$805	\$ (113)	125	\$7,761	\$ (476)	1,128

As indicated in the tables above, the majority of the securities in a continuous unrealized loss position for less than 12 months were investment grade and less than 20% below cost. These unrealized losses were primarily attributable to the increase in interest rates, mostly concentrated in our corporate securities. For securities that have been in a continuous unrealized loss position for less than 12 months, the average fair value percentage below cost was approximately 5% as of September 30, 2015.

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Fixed Maturity Securities In A Continuous Unrealized Loss Position For 12 Months Or More

Of the \$78 million of unrealized losses on fixed maturity securities in a continuous unrealized loss for 12 months or more that were less than 20% below cost, the weighted-average rating was “BBB” and approximately 70% of the unrealized losses were related to investment grade securities as of September 30, 2015. These unrealized losses were predominantly attributable to corporate securities and municipal securities including fixed rate securities purchased in a lower rate environment and variable rate securities purchased in a higher rate and lower spread environment. The average fair value percentage below cost for these securities was approximately 6% as of September 30, 2015. See below for additional discussion related to fixed maturity securities that have been in a continuous unrealized loss position for 12 months or more with a fair value that was more than 20% below cost.

The following tables present the concentration of gross unrealized losses and fair values of fixed maturity securities that were more than 20% below cost and in a continuous unrealized loss position for 12 months or more by asset class as of September 30, 2015:

(Dollar amounts in millions)	Investment Grade							
	20% to 50%				Greater than 50%			
	Fair value	Gross unrealized losses	% of total gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	% of total gross unrealized losses	Number of securities
Fixed maturity securities:								
State and political subdivisions	\$ 9	\$ (4)	1%	1	\$—	\$ —	— %	—
U.S. corporate—industrial	18	(5)	1	2	—	—	—	—
Non-U.S. corporate:								
Utilities	4	(1)	—	1	—	—	—	—
Energy	22	(6)	1	2	—	—	—	—
Industrial	24	(7)	1	3	—	—	—	—
Capital goods	3	(3)	1	1	—	—	—	—
Total non-U.S. corporate	53	(17)	3	7	—	—	—	—
Structured securities:								
Other asset-backed	67	(25)	4	4	—	—	—	—
Total structured securities	67	(25)	4	4	—	—	—	—
Total	\$147	\$ (51)	9%	14	\$—	\$ —	— %	—

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(Dollar amounts in millions)	Below Investment Grade							
	20% to 50%				Greater than 50%			
	Fair value	Gross unrealized losses	% of total gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	% of total gross unrealized losses	Number of securities
Fixed maturity securities:								
U.S. corporate:								
Energy	\$ 4	\$ (1)	— %	1	\$—	\$ —	— %	—
Finance and insurance	7	(3)	1	1	—	—	—	—
Consumer—non-cyclical	4	(1)	—	1	—	—	—	—
Industrial	4	(2)	—	1	—	—	—	—
Total U.S. corporate	19	(7)	1	4	—	—	—	—
Non-U.S. corporate:								
Energy	4	(1)	—	1	1	(2)	—	1
Technology and communications	7	(7)	1	2	4	(5)	—	1
Industrial	14	(11)	2	3	—	—	—	—
Capital goods	3	(2)	1	1	—	—	—	—
Other	4	(1)	—	1	—	—	—	—
Total non-U.S. corporate	32	(22)	4	8	5	(7)	—	2
Structured securities:								
Other asset-backed	8	(6)	1	1	—	—	—	—
Total structured securities	8	(6)	1	1	—	—	—	—
Total	\$ 59	\$ (35)	6%	13	\$ 5	\$ (7)	— %	2

For all securities in an unrealized loss position, we expect to recover the amortized cost based on our estimate of the amount and timing of cash flows to be collected. We do not intend to sell nor do we expect that we will be required to sell these securities prior to recovering our amortized cost. See below for further discussion of gross unrealized losses by asset class.

Non-U.S. corporate

As indicated above, \$46 million of gross unrealized losses were related to non-U.S. corporate fixed maturity securities that have been in an unrealized loss position for more than 12 months and were more than 20% below cost. Of the total unrealized losses for non-U.S. corporate fixed maturity securities, \$18 million, or 39%, related to the industrial sector. Reduced overseas demand for metals, particularly copper and oil, has led to a decline in commodities pricing, adversely impacting the fair value of these securities.

We expect that our investments in non-U.S. corporate securities will continue to perform in accordance with our expectations about the amount and timing of estimated cash flows. Although we do not anticipate such events, it is reasonably possible that issuers of our investments in non-U.S. corporate securities may perform worse than current expectations. Such events may lead us to recognize write-downs within our portfolio of non-U.S. corporate securities in the future.

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Structured Securities

Of the \$31 million of unrealized losses related to structured securities that have been in an unrealized loss position for 12 months or more and were more than 20% below cost, none related to other-than-temporarily impaired securities where the unrealized losses represented the portion of the other-than-temporary impairment recognized in OCI. The extent and duration of the unrealized loss position on our structured securities was primarily due to credit spreads that have widened since acquisition. Additionally, the fair value of certain structured securities has been impacted from high risk premiums being incorporated into the valuation as a result of the amount of potential losses that may be absorbed by the security in the event of additional deterioration in the U.S. economy.

While we consider the length of time each security had been in an unrealized loss position, the extent of the unrealized loss position and any significant declines in fair value subsequent to the balance sheet date in our evaluation of impairment for each of these individual securities, the primary factor in our evaluation of impairment is the expected performance for each of these securities. Our evaluation of expected performance is based on the historical performance of the associated securitization trust as well as the historical performance of the underlying collateral. Our examination of the historical performance of the securitization trust included consideration of the following factors for each class of securities issued by the trust: (i) the payment history, including failure to make scheduled payments; (ii) current payment status; (iii) current and historical outstanding balances; (iv) current levels of subordination and losses incurred to date; and (v) characteristics of the underlying collateral. Our examination of the historical performance of the underlying collateral included: (i) historical default rates, delinquency rates, voluntary and involuntary prepayments and severity of losses, including recent trends in this information; (ii) current payment status; (iii) loan to collateral value ratios, as applicable; (iv) vintage; and (v) other underlying characteristics such as current financial condition.

We use our assessment of the historical performance of both the securitization trust and the underlying collateral for each security, along with third-party sources, when available, to develop our best estimate of cash flows expected to be collected. These estimates reflect projections for future delinquencies, prepayments, defaults and losses for the assets that collateralize the securitization trust and are used to determine the expected cash flows for our security, based on the payment structure of the trust. Our projection of expected cash flows is primarily based on the expected performance of the underlying assets that collateralize the securitization trust and is not directly impacted by the rating of our security. While we consider the rating of the security as an indicator of the financial condition of the issuer, this factor does not have a significant impact on our expected cash flows for each security. In limited circumstances, our expected cash flows include expected payments from reliable financial guarantors where we believe the financial guarantor will have sufficient assets to pay claims under the financial guarantee when the cash flows from the securitization trust are not sufficient to make scheduled payments. We then discount the expected cash flows using the effective yield of each security to determine the present value of expected cash flows.

Based on this evaluation, the present value of expected cash flows was greater than or equal to the amortized cost for each security. Accordingly, we determined that the unrealized losses on each of our structured securities represented temporary impairments as of September 30, 2015.

Despite the considerable analysis and rigor employed on our structured securities, it is reasonably possible that the underlying collateral of these investments may perform worse than current market expectations. Such events may lead to adverse changes in cash flows on our holdings of structured securities and future write-downs within our portfolio of structured securities.

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The following table presents the gross unrealized losses and fair values of our investment securities, aggregated by investment type and length of time that individual investment securities have been in a continuous unrealized loss position, as of December 31, 2014:

(Dollar amounts in millions) Description of Securities	Less than 12 months			12 months or more			Total		
	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses ⁽¹⁾	Number of securities	Fair value	Gross unrealized losses ⁽¹⁾	Number of securities
Fixed maturity securities:									
U.S. government, agencies and government-sponsored enterprises	\$ —	\$ —	—	\$ 75	\$ (1)	10	\$ 75	\$ (1)	10
State and political subdivisions	9	—	7	267	(27)	45	276	(27)	52
Non-U.S. government	64	(1)	15	22	(1)	4	86	(2)	19
U.S. corporate	1,646	(33)	233	1,201	(43)	174	2,847	(76)	407
Non-U.S. corporate	1,529	(67)	230	504	(28)	67	2,033	(95)	297
Residential mortgage-backed	180	(1)	24	249	(17)	87	429	(18)	111
Commercial mortgage-backed	163	—	21	362	(9)	49	525	(9)	70
Other asset-backed	1,551	(12)	215	487	(42)	55	2,038	(54)	270
Subtotal, fixed maturity securities	5,142	(114)	745	3,167	(168)	491	8,309	(282)	1,236
Equity securities	30	(3)	46	48	(4)	6	78	(7)	52
Total for securities in an unrealized loss position	<u>\$5,172</u>	<u>\$ (117)</u>	<u>791</u>	<u>\$3,215</u>	<u>\$ (172)</u>	<u>497</u>	<u>\$8,387</u>	<u>\$ (289)</u>	<u>1,288</u>
% Below cost—fixed maturity securities:									
<20% Below cost	\$5,105	\$ (103)	741	\$3,036	\$ (114)	470	\$8,141	\$ (217)	1,211
20%-50% Below cost	37	(11)	4	131	(53)	15	168	(64)	19
>50% Below cost	—	—	—	—	(1)	6	—	(1)	6
Total fixed maturity securities	<u>5,142</u>	<u>(114)</u>	<u>745</u>	<u>3,167</u>	<u>(168)</u>	<u>491</u>	<u>8,309</u>	<u>(282)</u>	<u>1,236</u>
% Below cost—equity securities:									
<20% Below cost	26	(2)	40	48	(4)	6	74	(6)	46
20%-50% Below cost	4	(1)	6	—	—	—	4	(1)	6
Total equity securities	<u>30</u>	<u>(3)</u>	<u>46</u>	<u>48</u>	<u>(4)</u>	<u>6</u>	<u>78</u>	<u>(7)</u>	<u>52</u>
Total for securities in an unrealized loss position	<u>\$5,172</u>	<u>\$ (117)</u>	<u>791</u>	<u>\$3,215</u>	<u>\$ (172)</u>	<u>497</u>	<u>\$8,387</u>	<u>\$ (289)</u>	<u>1,288</u>
Investment grade	\$4,581	\$ (75)	664	\$2,918	\$ (145)	424	\$7,499	\$ (220)	1,088
Below investment grade ⁽²⁾	591	(42)	127	297	(27)	73	888	(69)	200
Total for securities in an unrealized loss position	<u>\$5,172</u>	<u>\$ (117)</u>	<u>791</u>	<u>\$3,215</u>	<u>\$ (172)</u>	<u>497</u>	<u>\$8,387</u>	<u>\$ (289)</u>	<u>1,288</u>

(1) Amounts included \$1 million of unrealized losses on other-than-temporarily impaired securities.

(2) Amounts that have been in a continuous unrealized loss position for 12 months or more included \$1 million of unrealized losses on other-than-temporarily impaired securities.

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The following table presents the gross unrealized losses and fair values of our corporate securities, aggregated by investment type and length of time that individual investment securities have been in a continuous unrealized loss position, based on industry, as of December 31, 2014:

(Dollar amounts in millions) Description of Securities	Less than 12 months			12 months or more			Total		
	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	Number of securities	Fair value	Gross unrealized losses	Number of securities
U.S. corporate:									
Utilities	\$ 55	\$ —	10	\$ 164	\$ (5)	23	\$ 219	\$ (5)	33
Energy	404	(16)	56	96	(5)	15	500	(21)	71
Finance and insurance	401	(3)	57	257	(10)	35	658	(13)	92
Consumer—non-cyclical	165	(3)	21	182	(5)	32	347	(8)	53
Technology and communications	181	(3)	27	97	(1)	15	278	(4)	42
Industrial	151	(4)	21	80	(4)	11	231	(8)	32
Capital goods	85	—	13	122	(5)	18	207	(5)	31
Consumer—cyclical	132	(2)	17	139	(6)	18	271	(8)	35
Transportation	52	(2)	9	57	(2)	6	109	(4)	15
Other	20	—	2	7	—	1	27	—	3
Subtotal, U.S. corporate securities	<u>1,646</u>	<u>(33)</u>	<u>233</u>	<u>1,201</u>	<u>(43)</u>	<u>174</u>	<u>2,847</u>	<u>(76)</u>	<u>407</u>
Non-U.S. corporate:									
Utilities	80	—	14	43	(2)	5	123	(2)	19
Energy	449	(33)	60	58	(5)	13	507	(38)	73
Finance and insurance	261	(2)	41	29	(1)	6	290	(3)	47
Consumer—non-cyclical	142	(6)	13	83	(3)	9	225	(9)	22
Technology and communications	88	(2)	18	81	(2)	8	169	(4)	26
Industrial	218	(9)	31	116	(9)	15	334	(18)	46
Capital goods	68	(2)	10	38	(3)	4	106	(5)	14
Consumer—cyclical	10	—	3	—	—	—	10	—	3
Transportation	34	—	7	14	(1)	1	48	(1)	8
Other	179	(13)	33	42	(2)	6	221	(15)	39
Subtotal, non-U.S. corporate securities	<u>1,529</u>	<u>(67)</u>	<u>230</u>	<u>504</u>	<u>(28)</u>	<u>67</u>	<u>2,033</u>	<u>(95)</u>	<u>297</u>
Total for corporate securities in an unrealized loss position	<u>\$3,175</u>	<u>\$ (100)</u>	<u>463</u>	<u>\$1,705</u>	<u>\$ (71)</u>	<u>241</u>	<u>\$4,880</u>	<u>\$ (171)</u>	<u>704</u>

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The scheduled maturity distribution of fixed maturity securities as of September 30, 2015 is set forth below. Actual maturities may differ from contractual maturities because issuers of securities may have the right to call or prepay obligations with or without call or prepayment penalties.

(Amounts in millions)	Amortized cost or cost	Fair value
Due one year or less	\$ 2,135	\$ 2,147
Due after one year through five years	10,474	10,950
Due after five years through ten years	11,824	12,155
Due after ten years	<u>21,229</u>	<u>23,955</u>
Subtotal	45,662	49,207
Residential mortgage-backed	4,728	5,118
Commercial mortgage-backed	2,464	2,587
Other asset-backed	<u>3,953</u>	<u>3,939</u>
Total	<u>\$ 56,807</u>	<u>\$60,851</u>

As of September 30, 2015, \$7,703 million of our investments (excluding mortgage-backed and asset-backed securities) were subject to certain call provisions.

As of September 30, 2015, securities issued by finance and insurance, consumer—non-cyclical, utilities and energy industry groups represented approximately 22%, 13%, 12% and 12%, respectively, of our domestic and foreign corporate fixed maturity securities portfolio. No other industry group comprised more than 10% of our investment portfolio. This portfolio is widely diversified among various geographic regions in the United States and internationally, and is not dependent on the economic stability of one particular region.

As of September 30, 2015, we did not hold any fixed maturity securities in any single issuer, other than securities issued or guaranteed by the U.S. government, which exceeded 10% of stockholders' equity.

(e) Commercial Mortgage Loans

Our mortgage loans are collateralized by commercial properties, including multi-family residential buildings. The carrying value of commercial mortgage loans is stated at original cost net of principal payments, amortization and allowance for loan losses.

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We diversify our commercial mortgage loans by both property type and geographic region. The following tables set forth the distribution across property type and geographic region for commercial mortgage loans as of the dates indicated:

(Amounts in millions)	September 30, 2015		December 31, 2014	
	Carrying value	% of total	Carrying value	% of total
Property type:				
Retail	\$ 2,259	37%	\$ 2,150	35%
Office	1,594	26	1,643	27
Industrial	1,580	26	1,597	26
Apartments	458	7	494	8
Mixed use/other	260	4	239	4
Subtotal	6,151	100%	6,123	100%
Unamortized balance of loan origination fees and costs	(1)		(1)	
Allowance for losses	(17)		(22)	
Total	\$ 6,133		\$ 6,100	

(Amounts in millions)	September 30, 2015		December 31, 2014	
	Carrying value	% of total	Carrying value	% of total
Geographic region:				
Pacific	\$ 1,594	26%	\$ 1,636	27%
South Atlantic	1,582	26	1,673	27
Middle Atlantic	860	14	826	14
Mountain	588	10	536	9
West North Central	396	6	382	6
East North Central	383	6	397	7
West South Central	295	5	268	4
New England	279	4	264	4
East South Central	174	3	141	2
Subtotal	6,151	100%	6,123	100%
Unamortized balance of loan origination fees and costs	(1)		(1)	
Allowance for losses	(17)		(22)	
Total	\$ 6,133		\$ 6,100	

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The following tables set forth the aging of past due commercial mortgage loans by property type as of the dates indicated:

September 30, 2015						
(Amounts in millions)	31 - 60 days past due	61 - 90 days past due	Greater than 90 days past due	Total past due	Current	Total
Property type:						
Retail	\$ —	\$ —	\$ —	\$ —	\$ 2,259	\$2,259
Office	—	—	5	5	1,589	1,594
Industrial	—	—	—	—	1,580	1,580
Apartments	—	—	—	—	458	458
Mixed use/other	—	—	—	—	260	260
Total recorded investment	\$ —	\$ —	\$ 5	\$ 5	\$ 6,146	\$6,151
% of total commercial mortgage loans	—%	—%	—%	—%	100%	100%
December 31, 2014						
(Amounts in millions)	31 - 60 days past due	61 - 90 days past due	Greater than 90 days past due	Total past due	Current	Total
Property type:						
Retail	\$ —	\$ —	\$ —	\$ —	\$ 2,150	\$2,150
Office	—	—	6	6	1,637	1,643
Industrial	—	—	2	2	1,595	1,597
Apartments	—	—	—	—	494	494
Mixed use/other	—	—	—	—	239	239
Total recorded investment	\$ —	\$ —	\$ 8	\$ 8	\$ 6,115	\$6,123
% of total commercial mortgage loans	—%	—%	—%	—%	100%	100%

As of September 30, 2015 and December 31, 2014, we had no commercial mortgage loans that were past due for more than 90 days and still accruing interest. We also did not have any commercial mortgage loans that were past due for less than 90 days on non-accrual status as of September 30, 2015 and December 31, 2014.

We evaluate the impairment of commercial mortgage loans on an individual loan basis. As of September 30, 2015, our commercial mortgage loans greater than 90 days past due included a loan with appraised values in excess of the recorded investment and the current recorded investment of the loan was expected to be recoverable.

During the nine months ended September 30, 2015 and the year ended December 31, 2014, we modified or extended 15 and 28 commercial mortgage loans, respectively, with a total carrying value of \$93 million and \$254 million, respectively. All of these modifications or extensions were based on current market interest rates, did not result in any forgiveness in the outstanding principal amount owed by the borrower and were not considered troubled debt restructurings.

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The following table sets forth the allowance for credit losses and recorded investment in commercial mortgage loans as of or for the periods indicated:

(Amounts in millions)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Allowance for credit losses:				
Beginning balance	\$ 18	\$ 27	\$ 22	\$ 33
Charge-offs	(1)	—	(4)	(1)
Recoveries	—	—	—	—
Provision	—	(3)	(1)	(8)
Ending balance	<u>\$ 17</u>	<u>\$ 24</u>	<u>\$ 17</u>	<u>\$ 24</u>
Ending allowance for individually impaired loans	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Ending allowance for loans not individually impaired that were evaluated collectively for impairment	<u>\$ 17</u>	<u>\$ 24</u>	<u>\$ 17</u>	<u>\$ 24</u>
Recorded investment:				
Ending balance	<u>\$ 6,151</u>	<u>\$ 6,101</u>	<u>\$ 6,151</u>	<u>\$ 6,101</u>
Ending balance of individually impaired loans	<u>\$ 19</u>	<u>\$ 17</u>	<u>\$ 19</u>	<u>\$ 17</u>
Ending balance of loans not individually impaired that were evaluated collectively for impairment	<u>\$ 6,132</u>	<u>\$ 6,084</u>	<u>\$ 6,132</u>	<u>\$ 6,084</u>

As of September 30, 2015, we had an individually impaired commercial mortgage loan included within the office property type with a recorded investment of \$5 million, an unpaid principal balance of \$6 million and charge-offs of \$1 million. As of December 31, 2014, we had an individually impaired commercial mortgage loan included within the industrial property type with a recorded investment of \$15 million, an unpaid principal balance of \$16 million and charge-offs of \$1 million, which were recorded in the first quarter of 2014. As of September 30, 2015, this loan had a recorded investment of \$14 million, an unpaid principal balance of \$15 million and interest income of \$1 million.

In evaluating the credit quality of commercial mortgage loans, we assess the performance of the underlying loans using both quantitative and qualitative criteria. Certain risks associated with commercial mortgage loans can be evaluated by reviewing both the loan-to-value and debt service coverage ratio to understand both the probability of the borrower not being able to make the necessary loan payments as well as the ability to sell the underlying property for an amount that would enable us to recover our unpaid principal balance in the event of default by the borrower. The average loan-to-value ratio is based on our most recent estimate of the fair value for the underlying property which is evaluated at least annually and updated more frequently if necessary to better indicate risk associated with the loan. A lower loan-to-value indicates that our loan value is more likely to be recovered in the event of default by the borrower if the property was sold. The debt service coverage ratio is based on “normalized” annual net operating income of the property compared to the payments required under the terms of the loan. Normalization allows for the removal of annual one-time events such as capital expenditures, prepaid or late real estate tax payments or non-recurring third-party fees (such as legal, consulting or contract fees). This ratio is evaluated at least annually and updated more frequently if necessary to better indicate risk associated with the loan. A higher debt service coverage ratio indicates the borrower is less likely to default on the loan. The debt service coverage ratio should not be used without considering other factors associated with the

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borrower, such as the borrower's liquidity or access to other resources that may result in our expectation that the borrower will continue to make the future scheduled payments.

The following tables set forth the loan-to-value of commercial mortgage loans by property type as of the dates indicated:

(Amounts in millions)	September 30, 2015					Total
	0% - 50%	51% - 60%	61% - 75%	76% - 100%	Greater than 100% ⁽¹⁾	
Property type:						
Retail	\$ 702	\$ 408	\$ 1,069	\$ 62	\$ 18	\$2,259
Office	437	291	773	73	20	1,594
Industrial	436	278	802	62	2	1,580
Apartments	180	75	195	8	—	458
Mixed use/other	53	31	170	6	—	260
Total recorded investment	<u>\$ 1,808</u>	<u>\$ 1,083</u>	<u>\$ 3,009</u>	<u>\$ 211</u>	<u>\$ 40</u>	<u>\$6,151</u>
% of total	<u>29%</u>	<u>18%</u>	<u>49%</u>	<u>3%</u>	<u>1%</u>	<u>100%</u>
Weighted-average debt service coverage ratio	<u>2.12</u>	<u>1.78</u>	<u>1.63</u>	<u>0.93</u>	<u>0.76</u>	<u>1.77</u>

(1) Included \$5 million of impaired loans and \$35 million of loans in good standing, where borrowers continued to make timely payments, with a total weighted-average loan-to-value of 120%.

(Amounts in millions)	December 31, 2014					Total
	0% - 50%	51% - 60%	61% - 75%	76% - 100%	Greater than 100% ⁽¹⁾	
Property type:						
Retail	\$ 671	\$ 419	\$ 967	\$ 75	\$ 18	\$2,150
Office	383	278	782	164	36	1,643
Industrial	451	285	778	60	23	1,597
Apartments	211	76	199	8	—	494
Mixed use/other	45	43	145	6	—	239
Total recorded investment	<u>\$ 1,761</u>	<u>\$ 1,101</u>	<u>\$ 2,871</u>	<u>\$ 313</u>	<u>\$ 77</u>	<u>\$6,123</u>
% of total	<u>29%</u>	<u>18%</u>	<u>47%</u>	<u>5%</u>	<u>1%</u>	<u>100%</u>
Weighted-average debt service coverage ratio	<u>2.27</u>	<u>1.75</u>	<u>1.61</u>	<u>1.02</u>	<u>0.72</u>	<u>1.78</u>

(1) Included \$15 million of impaired loans, \$6 million of loans past due and not individually impaired and \$56 million of loans in good standing, where borrowers continued to make timely payments, with a total weighted-average loan-to-value of 120%.

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The following tables set forth the debt service coverage ratio for fixed rate commercial mortgage loans by property type as of the dates indicated:

		September 30, 2015					
(Amounts in millions)	Less than 1.00	1.00 - 1.25	1.26 - 1.50	1.51 - 2.00	Greater than 2.00	Total	
Property type:							
Retail	\$ 66	\$ 236	\$ 560	\$ 960	\$ 437	\$2,259	
Office	96	75	279	790	347	1,587	
Industrial	149	130	221	723	357	1,580	
Apartments	1	41	80	203	133	458	
Mixed use/other	6	1	79	136	38	260	
Total recorded investment	\$ 318	\$ 483	\$ 1,219	\$ 2,812	\$ 1,312	\$6,144	
% of total	5%	8%	20%	46%	21%	100%	
Weighted-average loan-to-value	72%	62%	59%	60%	46%	58%	

		December 31, 2014					
(Amounts in millions)	Less than 1.00	1.00 - 1.25	1.26 - 1.50	1.51 - 2.00	Greater than 2.00	Total	
Property type:							
Retail	\$ 80	\$ 253	\$ 524	\$ 870	\$ 423	\$2,150	
Office	119	101	247	780	389	1,636	
Industrial	158	142	246	706	343	1,595	
Apartments	1	48	88	186	171	494	
Mixed use/other	6	1	61	135	36	239	
Total recorded investment	\$ 364	\$ 545	\$ 1,166	\$ 2,677	\$ 1,362	\$6,114	
% of total	6%	9%	19%	44%	22%	100%	
Weighted-average loan-to-value	77%	64%	64%	59%	45%	59%	

As of September 30, 2015 and December 31, 2014, we had floating rate commercial mortgage loans of \$7 million and \$9 million, respectively.

(f) Restricted Commercial Mortgage Loans Related To Securitization Entities

We have a consolidated securitization entity that holds commercial mortgage loans that are recorded as restricted commercial mortgage loans related to securitization entities.

(g) Restricted Other Invested Assets Related To Securitization Entities

We have consolidated securitization entities that hold certain investments that are recorded as restricted other invested assets related to securitization entities. The consolidated securitization entities hold certain investments as trading securities and whereby the changes in fair value are recorded in current period income (loss). The trading securities comprise asset-backed securities, including residual interest in certain policy loan securitization entities and highly rated bonds that are primarily backed by credit card receivables.

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(5) Derivative Instruments

Our business activities routinely deal with fluctuations in interest rates, equity prices, currency exchange rates and other asset and liability prices. We use derivative instruments to mitigate or reduce certain of these risks. We have established policies for managing each of these risks, including prohibitions on derivatives market-making and other speculative derivatives activities. These policies require the use of derivative instruments in concert with other techniques to reduce or mitigate these risks. While we use derivatives to mitigate or reduce risks, certain derivatives do not meet the accounting requirements to be designated as hedging instruments and are denoted as “derivatives not designated as hedges” in the following disclosures. For derivatives that meet the accounting requirements to be designated as hedges, the following disclosures for these derivatives are denoted as “derivatives designated as hedges,” which include both cash flow and fair value hedges.

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The following table sets forth our positions in derivative instruments as of the dates indicated:

(Amounts in millions)	Derivative assets			Derivative liabilities		
	Balance sheet classification	Fair value September 30, 2015	December 31, 2014	Balance sheet classification	Fair value September 30, 2015	December 31, 2014
Derivatives designated as hedges						
Cash flow hedges:						
Interest rate swaps	Other invested assets	\$ 766	\$ 639	Other liabilities	\$ 41	\$ 27
Inflation indexed swaps	Other invested assets	2	—	Other liabilities	14	42
Foreign currency swaps	Other invested assets	8	6	Other liabilities	—	—
Total cash flow hedges		776	645		55	69
Total derivatives designated as hedges		776	645		55	69
Derivatives not designated as hedges						
Interest rate swaps	Other invested assets	480	452	Other liabilities	249	177
Interest rate swaps related to securitization entities	Restricted other invested assets	—	—	Other liabilities	30	26
Foreign currency swaps	Other invested assets	—	—	Other liabilities	22	7
Credit default swaps	Other invested assets	1	4	Other liabilities	—	—
Credit default swaps related to securitization entities	Restricted other invested assets	—	—	Other liabilities	10	17
Equity index options	Other invested assets	15	17	Other liabilities	—	—
Financial futures	Other invested assets	—	—	Other liabilities	—	—
Equity return swaps	Other invested assets	15	—	Other liabilities	—	1
Forward bond purchase commitments	Other invested assets	13	—	Other liabilities	—	—
Other foreign currency contracts	Other invested assets	25	14	Other liabilities	34	13
GMWB embedded derivatives	Reinsurance recoverable (1)	19	13	Policyholder account balances (2)	390	291
Fixed index annuity embedded derivatives	Other assets	—	—	Policyholder account balances (3)	304	276
Indexed universal life embedded derivatives	Reinsurance recoverable	—	—	Policyholder account balances (4)	10	7
Total derivatives not designated as hedges		568	500		1,049	815
Total derivatives		\$ 1,344	\$ 1,145		\$ 1,104	\$ 884

- (1) Represents embedded derivatives associated with the reinsured portion of our guaranteed minimum withdrawal benefits (“GMWB”) liabilities.
(2) Represents the embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.
(3) Represents the embedded derivatives associated with our fixed index annuity liabilities.
(4) Represents the embedded derivatives associated with our indexed universal life liabilities.

The fair value of derivative positions presented above was not offset by the respective collateral amounts retained or provided under these agreements.

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The activity associated with derivative instruments can generally be measured by the change in notional value over the periods presented. However, for GMWB, fixed index annuity embedded derivatives and indexed universal life embedded derivatives, the change between periods is best illustrated by the number of policies. The following tables represent activity associated with derivative instruments as of the dates indicated:

(Notional in millions)	Measurement	December 31, 2014	Additions	Maturities/ terminations	September 30, 2015
Derivatives designated as hedges					
Cash flow hedges:					
Interest rate swaps	Notional	\$ 11,961	\$ —	\$ (43)	\$ 11,918
Inflation indexed swaps	Notional	571	13	(11)	573
Foreign currency swaps	Notional	35	—	—	35
Total cash flow hedges		<u>12,567</u>	<u>13</u>	<u>(54)</u>	<u>12,526</u>
Total derivatives designated as hedges		<u>12,567</u>	<u>13</u>	<u>(54)</u>	<u>12,526</u>
Derivatives not designated as hedges					
Interest rate swaps	Notional	5,074	1,850	(893)	6,031
Interest rate swaps related to securitization entities	Notional	77	—	(8)	69
Credit default swaps	Notional	394	—	(250)	144
Credit default swaps related to securitization entities	Notional	312	—	—	312
Equity index options	Notional	994	483	(517)	960
Financial futures	Notional	1,331	4,251	(4,280)	1,302
Equity return swaps	Notional	108	286	(263)	131
Foreign currency swaps	Notional	104	37	—	141
Forward bond purchase commitments	Notional	—	1,140	—	1,140
Other foreign currency contracts	Notional	425	1,136	(810)	751
Total derivatives not designated as hedges		<u>8,819</u>	<u>9,183</u>	<u>(7,021)</u>	<u>10,981</u>
Total derivatives		<u>\$ 21,386</u>	<u>\$ 9,196</u>	<u>\$ (7,075)</u>	<u>\$ 23,507</u>

(Number of policies)	Measurement	December 31, 2014	Additions	Maturities/ terminations	September 30, 2015
Derivatives not designated as hedges					
GMWB embedded derivatives	Policies	39,015	—	(2,202)	36,813
Fixed index annuity embedded derivatives	Policies	13,901	2,950	(275)	16,576
Indexed universal life embedded derivatives	Policies	421	395	(25)	791

Cash Flow Hedges

Certain derivative instruments are designated as cash flow hedges. The changes in fair value of these instruments are recorded as a component of OCI. We designate and account for the following as cash flow hedges when they have met the effectiveness requirements: (i) various types of interest rate swaps to convert floating rate investments to fixed rate investments; (ii) various types of interest rate swaps to convert floating rate liabilities into fixed rate liabilities; (iii) receive U.S. dollar fixed on foreign currency swaps to hedge the foreign

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currency cash flow exposure of foreign currency denominated investments; (iv) forward starting interest rate swaps to hedge against changes in interest rates associated with future fixed rate bond purchases and/or interest income; (v) forward bond purchase commitments to hedge against the variability in the anticipated cash flows required to purchase future fixed rate bonds; and (vi) other instruments to hedge the cash flows of various forecasted transactions.

The following table provides information about the pre-tax income (loss) effects of cash flow hedges for the three months ended September 30, 2015:

(Amounts in millions)	Gain (loss) recognized in OCI	Gain (loss) reclassified into net income (loss) from OCI	Classification of gain (loss) reclassified into net income (loss)	Gain (loss) recognized in net income (loss)⁽¹⁾	Classification of gain (loss) recognized in net income (loss)
Interest rate swaps hedging assets	\$ 344	\$ 22	Net investment income	\$ 4	Net investment gains (losses)
Interest rate swaps hedging liabilities	(23)	—	Interest expense	—	Net investment gains (losses)
Inflation indexed swaps	32	(5)	Net investment income	1	Net investment gains (losses)
Forward bond purchase commitments	—	1	Net investment income	—	Net investment gains (losses)
Total	\$ 353	\$ 18		\$ 5	

(1) Represents ineffective portion of cash flow hedges as there were no amounts excluded from the measurement of effectiveness.

The following table provides information about the pre-tax income (loss) effects of cash flow hedges for the three months ended September 30, 2014:

(Amounts in millions)	Gain (loss) recognized in OCI	Gain (loss) reclassified into net income (loss) from OCI	Classification of gain (loss) reclassified into net income (loss)	Gain (loss) recognized in net income (loss)⁽¹⁾	Classification of gain (loss) recognized in net income (loss)
Interest rate swaps hedging assets	\$ 151	\$ 17	Net investment income	\$ 2	Net investment gains (losses)
Interest rate swaps hedging liabilities	(8)	—	Interest expense	—	Net investment gains (losses)
Inflation indexed swaps	20	(3)	Net investment income	—	Net investment gains (losses)
Foreign currency swaps	2	—	Net investment income	—	Net investment gains (losses)
Forward bond purchase commitments	4	—	Net investment income	—	Net investment gains (losses)
Total	\$ 169	\$ 14		\$ 2	

(1) Represents ineffective portion of cash flow hedges as there were no amounts excluded from the measurement of effectiveness.

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The following table provides information about the pre-tax income (loss) effects of cash flow hedges for the nine months ended September 30, 2015:

(Amounts in millions)	Gain (loss) recognized in OCI	Gain (loss) reclassified into net income (loss) from OCI	Classification of gain (loss) reclassified into net income (loss)	Gain (loss) recognized in net income (loss) ⁽¹⁾	Classification of gain (loss) recognized in net income (loss)
Interest rate swaps hedging assets	\$ 135	\$ 61	Net investment income	\$ 1	Net investment gains (losses)
Interest rate swaps hedging liabilities	(14)	—	Interest expense	—	Net investment gains (losses)
Inflation indexed swaps	29	(2)	Net investment income	1	Net investment gains (losses)
Foreign currency swaps	2	—	Net investment income	—	Net investment gains (losses)
Forward bond purchase commitments	—	1	Net investment income	—	Net investment gains (losses)
Total	<u>\$ 152</u>	<u>\$ 60</u>		<u>\$ 2</u>	

(1) Represents ineffective portion of cash flow hedges as there were no amounts excluded from the measurement of effectiveness.

The following table provides information about the pre-tax income (loss) effects of cash flow hedges for the nine months ended September 30, 2014:

(Amounts in millions)	Gain (loss) recognized in OCI	Gain (loss) reclassified into net income (loss) from OCI	Classification of gain (loss) reclassified into net income (loss)	Gain (loss) recognized in net income (loss) ⁽¹⁾	Classification of gain (loss) recognized in net income (loss)
Interest rate swaps hedging assets	\$ 723	\$ 45	Net investment income	\$ 9	Net investment gains (losses)
Interest rate swaps hedging liabilities	(42)	1	Interest expense	—	Net investment gains (losses)
Inflation indexed swaps	(10)	(11)	Net investment income	—	Net investment gains (losses)
Foreign currency swaps	2	—	Net investment income	—	Net investment gains (losses)
Forward bond purchase commitments	32	—	Net investment income	—	Net investment gains (losses)
Total	<u>\$ 705</u>	<u>\$ 35</u>		<u>\$ 9</u>	

(1) Represents ineffective portion of cash flow hedges as there were no amounts excluded from the measurement of effectiveness.

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The following tables provide a reconciliation of current period changes, net of applicable income taxes, for these designated derivatives presented in the separate component of stockholders' equity labeled "derivatives qualifying as hedges," for the periods indicated:

(Amounts in millions)	Three months ended	
	September 30,	
	2015	2014
Derivatives qualifying as effective accounting hedges as of July 1	\$ 1,913	\$ 1,652
Current period increases (decreases) in fair value, net of deferred taxes of \$(124) and \$(59)	229	110
Reclassification to net (income) loss, net of deferred taxes of \$6 and \$5	(12)	(9)
Derivatives qualifying as effective accounting hedges as of September 30	<u>\$ 2,130</u>	<u>\$ 1,753</u>

(Amounts in millions)	Nine months ended	
	September 30,	
	2015	2014
Derivatives qualifying as effective accounting hedges as of January 1	\$ 2,070	\$ 1,319
Current period increases (decreases) in fair value, net of deferred taxes of \$(53) and \$(248)	99	457
Reclassification to net (income) loss, net of deferred taxes of \$21 and \$12	(39)	(23)
Derivatives qualifying as effective accounting hedges as of September 30	<u>\$ 2,130</u>	<u>\$ 1,753</u>

The total of derivatives designated as cash flow hedges of \$2,130 million, net of taxes, recorded in stockholders' equity as of September 30, 2015 is expected to be reclassified to net income (loss) in the future, concurrently with and primarily offsetting changes in interest expense and interest income on floating rate instruments and interest income on future fixed rate bond purchases. Of this amount, \$68 million, net of taxes, is expected to be reclassified to net income (loss) in the next 12 months. Actual amounts may vary from this amount as a result of market conditions. All forecasted transactions associated with qualifying cash flow hedges are expected to occur by 2047. There were immaterial amounts reclassified to net income (loss) during the nine months ended September 30, 2015 in connection with forecasted transactions that were no longer considered probable of occurring.

Fair Value Hedges

Certain derivative instruments are designated as fair value hedges. The changes in fair value of these instruments are recorded in net income (loss). In addition, changes in the fair value attributable to the hedged portion of the underlying instrument are reported in net income (loss). We designate and account for the following as fair value hedges when they have met the effectiveness requirements: (i) interest rate swaps to convert fixed rate liabilities into floating rate liabilities; (ii) cross currency swaps to convert non-U.S. dollar fixed rate liabilities to floating rate U.S. dollar liabilities; and (iii) other instruments to hedge various fair value exposures of investments.

There were no pre-tax income (loss) effects of fair value hedges and related hedged items for the three and nine months ended September 30, 2015 and 2014.

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Derivatives Not Designated As Hedges

We also enter into certain non-qualifying derivative instruments such as: (i) interest rate swaps and financial futures to mitigate interest rate risk as part of managing regulatory capital positions; (ii) credit default swaps to enhance yield and reproduce characteristics of investments with similar terms and credit risk; (iii) equity index options, equity return swaps, interest rate swaps and financial futures to mitigate the risks associated with liabilities that have guaranteed minimum benefits, fixed index annuities and indexed universal life; (iv) interest rate swaps where the hedging relationship does not qualify for hedge accounting; (v) credit default swaps to mitigate loss exposure to certain credit risk; (vi) foreign currency swaps, options and forward contracts to mitigate currency risk associated with non-functional currency investments held by certain foreign subsidiaries and future dividends or other cash flows from certain foreign subsidiaries to our holding company; and (vii) equity index options to mitigate certain macroeconomic risks associated with certain foreign subsidiaries. Additionally, we provide GMWBs on certain variable annuities that are required to be bifurcated as embedded derivatives. We also offer fixed index annuity and indexed universal life products and have reinsurance agreements with certain features that are required to be bifurcated as embedded derivatives.

We also have derivatives related to securitization entities where we were required to consolidate the related securitization entity as a result of our involvement in the structure. The counterparties for these derivatives typically only have recourse to the securitization entity. The interest rate swaps used for these entities are typically used to effectively convert the interest payments on the assets of the securitization entity to the same basis as the interest rate on the borrowings issued by the securitization entity. Credit default swaps are utilized in certain securitization entities to enhance the yield payable on the borrowings issued by the securitization entity and also include a settlement feature that allows the securitization entity to provide the par value of assets in the securitization entity for the amount of any losses incurred under the credit default swap.

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The following tables provide the pre-tax gain (loss) recognized in net income (loss) for the effects of derivatives not designated as hedges for the periods indicated:

(Amounts in millions)	Three months ended September 30,		Classification of gain (loss) recognized in net income (loss)
	2015	2014	
Interest rate swaps	\$ (12)	\$ (3)	Net investment gains (losses)
Interest rate swaps related to securitization entities	(5)	1	Net investment gains (losses)
Credit default swaps related to securitization entities	(1)	(2)	Net investment gains (losses)
Equity index options	6	(1)	Net investment gains (losses)
Financial futures	13	22	Net investment gains (losses)
Equity return swaps	11	6	Net investment gains (losses)
Other foreign currency contracts	4	5	Net investment gains (losses)
Foreign currency swaps	(9)	(4)	Net investment gains (losses)
Forward bond purchase commitments	13	—	Net investment gains (losses)
GMWB embedded derivatives	(117)	(58)	Net investment gains (losses)
Fixed index annuity embedded derivatives	31	(7)	Net investment gains (losses)
Indexed universal life embedded derivatives	2	—	Net investment gains (losses)
Total derivatives not designated as hedges	<u>\$ (64)</u>	<u>\$ (41)</u>	

(Amounts in millions)	Nine months ended September 30,		Classification of gain (loss) recognized in net income (loss)
	2015	2014	
Interest rate swaps	\$ (13)	\$ (8)	Net investment gains (losses)
Interest rate swaps related to securitization entities	(5)	(5)	Net investment gains (losses)
Credit default swaps	1	—	Net investment gains (losses)
Credit default swaps related to securitization entities	10	16	Net investment gains (losses)
Equity index options	(11)	(19)	Net investment gains (losses)
Financial futures	(18)	66	Net investment gains (losses)
Equity return swaps	3	1	Net investment gains (losses)
Other foreign currency contracts	10	(6)	Net investment gains (losses)
Foreign currency swaps	(17)	(3)	Net investment gains (losses)
Forward bond purchase commitments	13	—	Net investment gains (losses)
GMWB embedded derivatives	(68)	(87)	Net investment gains (losses)
Fixed index annuity embedded derivatives	14	(19)	Net investment gains (losses)
Indexed universal life embedded derivatives	5	—	Net investment gains (losses)
Total derivatives not designated as hedges	<u>\$ (76)</u>	<u>\$ (64)</u>	

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Derivative Counterparty Credit Risk

Most of our derivative arrangements with counterparties require the posting of collateral upon meeting certain net exposure thresholds. For derivatives related to securitization entities, there are no arrangements that require either party to provide collateral and the recourse of the derivative counterparty is typically limited to the assets held by the securitization entity and there is no recourse to any entity other than the securitization entity.

The following table presents additional information about derivative assets and liabilities subject to an enforceable master netting arrangement as of the dates indicated:

(Amounts in millions)	September 30, 2015			December 31, 2014		
	Derivatives assets ⁽¹⁾	Derivatives liabilities ⁽²⁾	Net derivatives	Derivatives assets ⁽¹⁾	Derivatives liabilities ⁽²⁾	Net derivatives
Amounts presented in the balance sheet:						
Gross amounts recognized	\$ 1,367	\$ 385	\$ 982	\$ 1,157	\$ 273	\$ 884
Gross amounts offset in the balance sheet	—	—	—	—	—	—
Net amounts presented in the balance sheet	1,367	385	982	1,157	273	884
Gross amounts not offset in the balance sheet:						
Financial instruments ⁽³⁾	(300)	(300)	—	(227)	(227)	—
Collateral received	(827)	—	(827)	(884)	—	(884)
Collateral pledged	—	(252)	252	—	(49)	49
Over collateralization	5	167	(162)	1	5	(4)
Net amount	<u>\$ 245</u>	<u>\$ —</u>	<u>\$ 245</u>	<u>\$ 47</u>	<u>\$ 2</u>	<u>\$ 45</u>

- (1) Included \$42 million and \$25 million of accruals on derivatives classified as other assets and does not include amounts related to embedded derivatives as of September 30, 2015 and December 31, 2014, respectively.
- (2) Included \$25 million and \$6 million of accruals on derivatives classified as other liabilities and does not include amounts related to embedded derivatives and derivatives related to securitization entities as of September 30, 2015 and December 31, 2014, respectively.
- (3) Amounts represent derivative assets and/or liabilities that are presented gross within the balance sheet but are held with the same counterparty where we have a master netting arrangement. This adjustment results in presenting the net asset and net liability position for each counterparty.

Except for derivatives related to securitization entities, almost all of our master swap agreements contain credit downgrade provisions that allow either party to assign or terminate derivative transactions if the other party's long-term unsecured debt rating or financial strength rating is below the limit defined in the applicable agreement. If the downgrade provisions had been triggered as of September 30, 2015 and December 31, 2014, we could have been allowed to claim \$245 million and \$47 million, respectively, or required to disburse up to \$2 million as of December 31, 2014. The chart above excludes embedded derivatives and derivatives related to securitization entities as those derivatives are not subject to master netting arrangements.

Credit Derivatives

We sell protection under single name credit default swaps and credit default swap index tranches in combination with purchasing securities to replicate characteristics of similar investments based on the credit quality and term of the credit default swap. Credit default triggers for both indexed reference entities and single

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name reference entities follow the Credit Derivatives Physical Settlement Matrix published by the International Swaps and Derivatives Association. Under these terms, credit default triggers are defined as bankruptcy, failure to pay or restructuring, if applicable. Our maximum exposure to credit loss equals the notional value for credit default swaps. In the event of default for credit default swaps, we are typically required to pay the protection holder the full notional value less a recovery rate determined at auction.

In addition to the credit derivatives discussed above, we also have credit derivative instruments related to securitization entities that we consolidate. These derivatives represent a customized index of reference entities with specified attachment points for certain derivatives. The credit default triggers are similar to those described above. In the event of default, the securitization entity will provide the counterparty with the par value of assets held in the securitization entity for the amount of incurred loss on the credit default swap. The maximum exposure to loss for the securitization entity is the notional value of the derivatives. Certain losses on these credit default swaps would be absorbed by the third-party noteholders of the securitization entity and the remaining losses on the credit default swaps would be absorbed by our portion of the notes issued by the securitization entity.

The following table sets forth our credit default swaps where we sell protection on single name reference entities and the fair values as of the dates indicated:

(Amounts in millions)	September 30, 2015			December 31, 2014		
	Notional value	Assets	Liabilities	Notional value	Assets	Liabilities
Investment grade						
Matures in less than one year	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Matures after one year through five years	39	—	—	39	1	—
Total credit default swaps on single name reference entities	\$ 39	\$ —	\$ —	\$ 39	\$ 1	\$ —

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The following table sets forth our credit default swaps where we sell protection on credit default swap index tranches and the fair values as of the dates indicated:

(Amounts in millions)	September 30, 2015			December 31, 2014		
	Notional value	Assets	Liabilities	Notional value	Assets	Liabilities
Original index tranche attachment/detachment point and maturity:						
7% - 15% matures after one year through five years ⁽¹⁾	\$ 100	\$ 1	\$ —	\$ 100	\$ 1	\$ —
9% - 12% matures in less than one year ⁽²⁾	—	—	—	250	2	—
Total credit default swap index tranches	100	1	—	350	3	—
Customized credit default swap index tranches related to securitization entities:						
Portion backing third-party borrowings maturing 2017 ⁽³⁾	12	—	1	12	—	—
Portion backing our interest maturing 2017 ⁽⁴⁾	300	—	9	300	—	17
Total customized credit default swap index tranches related to securitization entities	312	—	10	312	—	17
Total credit default swaps on index tranches	\$ 412	\$ 1	\$ 10	\$ 662	\$ 3	\$ 17

(1) The current attachment/detachment as of September 30, 2015 and December 31, 2014 was 7% – 15%.

(2) The current attachment/detachment as of December 31, 2014 was 9% – 12%.

(3) Original notional value was \$39 million.

(4) Original notional value was \$300 million.

(6) Fair Value of Financial Instruments

Assets and liabilities that are reflected in the accompanying condensed consolidated financial statements at fair value are not included in the following disclosure of fair value. Such items include cash and cash equivalents, investment securities, separate accounts, securities held as collateral and derivative instruments. Other financial assets and liabilities—those not carried at fair value—are discussed below. Apart from certain of our borrowings and certain marketable securities, few of the instruments discussed below are actively traded and their fair values must often be determined using models. The fair value estimates are made at a specific point in time, based upon available market information and judgments about the financial instruments, including estimates of the timing and amount of expected future cash flows and the credit standing of counterparties. Such estimates do not reflect any premium or discount that could result from offering for sale at one time our entire holdings of a particular financial instrument, nor do they consider the tax impact of the realization of unrealized gains or losses. In many cases, the fair value estimates cannot be substantiated by comparison to independent markets.

The basis on which we estimate fair value is as follows:

Commercial mortgage loans. Based on recent transactions and/or discounted future cash flows, using current market rates. Given the limited availability of data related to transactions for similar instruments, we typically classify these loans as Level 3.

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Restricted commercial mortgage loans. Based on recent transactions and/or discounted future cash flows, using current market rates. Given the limited availability of data related to transactions for similar instruments, we typically classify these loans as Level 3.

Other invested assets. Primarily represents short-term investments and limited partnerships accounted for under the cost method. The fair value of short-term investments typically does not include significant unobservable inputs and approximate our amortized cost basis. As a result, short-term investments are classified as Level 2. Limited partnerships are valued based on comparable market transactions, discounted future cash flows, quoted market prices and/or estimates using the most recent data available for the underlying instrument. Cost method limited partnerships typically include significant unobservable inputs as a result of being relatively illiquid with limited market activity for similar instruments and are classified as Level 3.

Long-term borrowings. We utilize available market data when determining fair value of long-term borrowings issued in the United States and Canada, which includes data on recent trades for the same or similar financial instruments. Accordingly, these instruments are classified as Level 2 measurements. In cases where market data is not available such as our long-term borrowings in Australia, we use broker quotes for which we consider the valuation methodology utilized by the third party, but the valuation typically includes significant unobservable inputs. Accordingly, we classify these borrowings where fair value is based on our consideration of broker quotes as Level 3 measurements.

Non-recourse funding obligations. We use an internal model to determine fair value using the current floating rate coupon and expected life/final maturity of the instrument discounted using the floating rate index and current market spread assumption, which is estimated based on recent transactions for these instruments or similar instruments as well as other market information or broker provided data. Given these instruments are private and very little market activity exists, our current market spread assumption is considered to have significant unobservable inputs in calculating fair value and, therefore, results in the fair value of these instruments being classified as Level 3.

Borrowings related to securitization entities. Based on market quotes or comparable market transactions. Some of these borrowings are publicly traded debt securities and are classified as Level 2. Certain borrowings are not publicly traded and are classified as Level 3.

Investment contracts. Based on expected future cash flows, discounted at current market rates for annuity contracts or institutional products. Given the significant unobservable inputs associated with policyholder behavior and current market rate assumptions used to discount the expected future cash flows, we classify these instruments as Level 3 except for certain funding agreement-backed notes that are traded in the marketplace as a security and are classified as Level 2.

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The following represents our estimated fair value of financial assets and liabilities that are not required to be carried at fair value as of the dates indicated:

(Amounts in millions)	September 30, 2015					
	Notional amount	Carrying amount	Fair value			
			Total	Level 1	Level 2	Level 3
Assets:						
Commercial mortgage loans	\$ (1)	\$ 6,133	\$ 6,481	\$ —	\$ —	\$ 6,481
Restricted commercial mortgage loans	(1)	175	196	—	—	196
Other invested assets	(1)	453	459	—	376	83
Liabilities:						
Long-term borrowings	(1)	4,601	4,121	—	3,886	235
Non-recourse funding obligations	(1)	1,951	1,417	—	—	1,417
Borrowings related to securitization entities	(1)	108	116	—	116	—
Investment contracts	(1)	17,260	18,067	—	5	18,062
Other firm commitments:						
Commitments to fund limited partnerships	87	—	—	—	—	—
Ordinary course of business lending commitments	167	—	—	—	—	—
December 31, 2014						
(Amounts in millions)	Notional amount	Carrying amount	Fair value			
			Total	Level 1	Level 2	Level 3
Assets:						
Commercial mortgage loans	\$ (1)	\$ 6,100	\$ 6,573	\$ —	\$ —	\$ 6,573
Restricted commercial mortgage loans	(1)	201	228	—	—	228
Other invested assets	(1)	348	359	—	274	85
Liabilities:						
Long-term borrowings	(1)	4,639	4,300	—	4,181	119
Non-recourse funding obligations	(1)	1,996	1,438	—	—	1,438
Borrowings related to securitization entities	(1)	134	146	—	146	—
Investment contracts	(1)	17,486	18,012	—	7	18,005
Other firm commitments:						
Commitments to fund limited partnerships	53	—	—	—	—	—
Ordinary course of business lending commitments	155	—	—	—	—	—

(1) These financial instruments do not have notional amounts.

Recurring Fair Value Measurements

We have fixed maturity, equity and trading securities, derivatives, embedded derivatives, securities held as collateral, separate account assets and certain other financial instruments, which are carried at fair value. Below is a description of the valuation techniques and inputs used to determine fair value by class of instrument.

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Fixed maturity, equity and trading securities

The fair value of fixed maturity, equity and trading securities are estimated primarily based on information derived from third-party pricing services (“pricing services”), internal models and/or third-party broker provided prices (“broker quotes”), which use a market approach, income approach or a combination of the market and income approach depending on the type of instrument and availability of information. In general, a market approach is utilized if there is readily available and relevant market activity for an individual security. In certain cases where market information is not available for a specific security but is available for similar securities, a security is valued using that market information for similar securities, which is also a market approach. When market information is not available for a specific security or is available but such information is less relevant or reliable, an income approach or a combination of a market and income approach is utilized. For securities with optionality, such as call or prepayment features (including mortgage-backed or asset-backed securities), an income approach may be used. In addition, a combination of the results from market and income approaches may be used to estimate fair value. These valuation techniques may change from period to period, based on the relevance and availability of market data.

We utilize certain third-party data providers when determining fair value. We consider information obtained from pricing services as well as broker quotes in our determination of fair value. Additionally, we utilize internal models to determine the valuation of securities using an income approach where the inputs are based on third-party provided market inputs. While we consider the valuations provided by pricing services and broker quotes to be of high quality, management determines the fair value of our investment securities after considering all relevant and available information. We also use various methods to obtain an understanding of the valuation methodologies and procedures used by third-party data providers to ensure sufficient understanding to evaluate the valuation data received, including an understanding of the assumptions and inputs utilized to determine the appropriate fair value. For pricing services, we analyze the prices provided by our primary pricing services to other readily available pricing services and perform a detailed review of the assumptions and inputs from each pricing service to determine the appropriate fair value when pricing differences exceed certain thresholds. In September 2015, we began evaluating changes in fair value that are greater than 8% each month to further aid in our review of the accuracy of fair value measurements and our understanding of changes in fair value, with more detailed reviews performed by the asset managers responsible for the related asset class associated with the security being reviewed. Prior to September 2015, the percentage change in fair value we used in this evaluation was greater than 10% each month. A pricing committee provides additional oversight and guidance in the evaluation and review of the pricing methodologies used to value our investment portfolio.

In general, we first obtain valuations from pricing services. If a price is not supplied by a pricing service, we will typically seek a broker quote for public or private fixed maturity securities. In certain instances, we utilize price caps for broker quoted securities where the estimated market yield results in a valuation that may exceed the amount that we believe would be received in a market transaction. For certain private fixed maturity securities where we do not obtain valuations from pricing services, we utilize an internal model to determine fair value since transactions for identical securities are not readily observable and these securities are not typically valued by pricing services. For all securities, excluding certain private fixed maturity securities, if neither a pricing service nor broker quotes valuation is available, we determine fair value using internal models.

For pricing services, we obtain an understanding of the pricing methodologies and procedures for each type of instrument. Additionally, on a monthly basis we review a sample of securities, examining the pricing service’s assumptions to determine if we agree with the service’s derived price. In general, a pricing service does not provide a price for a security if sufficient information is not readily available to determine fair value or if such security is not in the specific sector or class covered by a particular pricing service. Given our understanding of

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the pricing methodologies and procedures of pricing services, the securities valued by pricing services are typically classified as Level 2 unless we determine the valuation process for a security or group of securities utilizes significant unobservable inputs, which would result in the valuation being classified as Level 3.

For private fixed maturity securities, we utilize an income approach where we obtain public bond spreads and utilize those in an internal model to determine fair value. Other inputs to the model include rating and weighted-average life, as well as sector which is used to assign the spread. We then add an additional premium, which represents an unobservable input, to the public bond spread to adjust for the liquidity and other features of our private placements. We utilize the estimated market yield to discount the expected cash flows of the security to determine fair value. We utilize price caps for securities where the estimated market yield results in a valuation that may exceed the amount that would be received in a market transaction and value all private fixed maturity securities at par that have less than 12 months to maturity. When a security does not have an external rating, we assign the security an internal rating to determine the appropriate public bond spread that should be utilized in the valuation. To evaluate the reasonableness of the internal model, we review a sample of private fixed maturity securities each month. In that review we compare the modeled prices to the prices of similar public securities in conjunction with analysis on current market indicators. While we generally consider the public bond spreads by sector and maturity to be observable inputs, we evaluate the similarities of our private placement with the public bonds, any price caps utilized, liquidity premiums applied, and whether external ratings are available for our private placements to determine whether the spreads utilized would be considered observable inputs. We classify private securities without an external rating and public bond spread as Level 3. In general, increases (decreases) in credit spreads will decrease (increase) the fair value for our fixed maturity securities.

For broker quotes, we consider the valuation methodology utilized by the third party and analyze a sample each month to assess reasonableness given then-current market conditions. Additionally, for broker quotes on certain structured securities, we validate prices received against other publicly available pricing sources. Broker quotes are typically based on an income approach given the lack of available market data. As the valuation typically includes significant unobservable inputs, we classify the securities where fair value is based on our consideration of broker quotes as Level 3 measurements.

For remaining securities priced using internal models, we determine fair value using an income approach. We maximize the use of observable inputs but typically utilize significant unobservable inputs to determine fair value. Accordingly, the valuations are typically classified as Level 3.

A summary of the inputs used for our fixed maturity, equity and trading securities based on the level in which instruments are classified is included below. We have combined certain classes of instruments together as the nature of the inputs is similar.

Level 1 measurements

Equity securities. The primary inputs to the valuation of exchange-traded equity securities include quoted prices for the identical instrument.

Level 2 measurements

Fixed maturity securities

- *U.S. government, agencies and government-sponsored enterprises, state and political subdivisions, non-U.S. government, and all sectors of U.S. corporate and non-U.S. corporate.* The primary inputs to

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the valuation include quoted prices for identical assets, or similar assets in markets that are not active, contractual cash flows, duration, call provisions, issuer rating, benchmark yields and credit spreads. Private fixed maturity securities valued using an internal model use market observable inputs such as interest rate yield curve, as well as published credit spreads for similar securities based on the external ratings of the instrument and related industry sector of the issuer.

- *Residential mortgage-backed, commercial mortgage-backed and other asset-backed.* The primary inputs to the valuation include quoted prices for identical assets, or similar assets in markets that are not active, contractual cash flows, weighted-average coupon and weighted-average maturity, issuer rating, structure of the security, expected prepayment speeds and volumes, collateral type, current and forecasted loss severity, average delinquency rates, vintage of the loans, geographic region, debt-service coverage ratios, payment priority with the tranche, benchmark yields and credit spreads.

Equity securities. The primary inputs to the valuation include quoted prices for identical assets, or similar assets in markets that are not active.

Level 3 measurements

Fixed maturity securities

- *U.S. government, agencies and government-sponsored enterprises, state and political subdivisions, non-U.S. government, and all sectors of U.S. corporate and non-U.S. corporate.* The primary inputs to the valuation include quoted prices for identical assets, or similar assets in markets that are not active, contractual cash flows, duration, call provisions, issuer rating, benchmark yields and credit spreads. Certain securities are valued using broker quotes where the underlying inputs are unobservable. Certain private fixed maturity securities valued using an internal model uses market observable inputs such as interest rate yield curve, as well as published credit spreads for similar securities where there are no external ratings of the instrument and include a significant unobservable input. Additionally, we may also apply certain price caps in the valuation of private fixed maturity securities as a result of our valuation being higher than what we would receive in a market transaction where the price cap represents an unobservable input.
- *Residential mortgage-backed, commercial mortgage-backed and other asset-backed.* The primary inputs to the valuation include broker quotes or use internal models where the primary inputs to the valuation are similar to the inputs used for Level 2 measurements but where the inputs cannot be corroborated with market data of similar securities.

Equity securities. The primary inputs to the valuation include broker quotes where the underlying inputs are unobservable and for internal models, structure of the security and issuer rating.

Restricted other invested assets related to securitization entities

We have trading securities related to securitization entities that are classified as restricted other invested assets and are carried at fair value. The trading securities represent asset-backed securities. The valuation for trading securities is determined using a market approach and/or an income approach depending on the availability of information. For certain highly rated asset-backed securities, there is observable market information for transactions of the same or similar instruments, which is provided to us by a third-party pricing service and is classified as Level 2. For certain securities that are not actively traded, we determine fair value after considering third-party broker provided prices or discounted expected cash flows using current yields for similar securities and classify these valuations as Level 3.

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Securities lending collateral

The fair value of securities held as collateral is primarily based on Level 2 inputs from market information for the collateral that is held on our behalf by the custodian. We determine fair value after considering prices obtained by third-party pricing services.

Separate account assets

The fair value of separate account assets is based on the quoted prices of the underlying fund investments and, therefore, represents Level 1 pricing.

Derivatives

We consider counterparty collateral arrangements and rights of set-off when evaluating our net credit risk exposure to our derivative counterparties. Accordingly, we are permitted to include consideration of these arrangements when determining whether any incremental adjustment should be made for both the counterparty's and our non-performance risk in measuring fair value for our derivative instruments. As a result of these counterparty arrangements, we determined that any adjustment for credit risk would not be material and we do not record any incremental adjustment for our non-performance risk or the non-performance risk of the derivative counterparty for our derivative assets or liabilities. We determine fair value for our derivatives using an income approach with internal models based on relevant market inputs for each derivative instrument. We also compare the fair value determined using our internal model to the valuations provided by our derivative counterparties with any significant differences or changes in valuation being evaluated further by our derivatives professionals that are familiar with the instrument and market inputs used in the valuation.

Interest rate swaps. The valuation of interest rate swaps is determined using an income approach. The primary input into the valuation represents the forward interest rate swap curve, which is generally considered an observable input, and results in the derivative being classified as Level 2. For certain interest rate swaps, the inputs into the valuation also include the total returns of certain bonds that would primarily be considered an observable input and result in the derivative being classified as Level 2. For certain other swaps, there are features that provide an option to the counterparty to terminate the swap at specified dates. The interest rate volatility input used to value these options would be considered a significant unobservable input and results in the fair value measurement of the derivative being classified as Level 3. These options to terminate the swap by the counterparty are based on forward interest rate swap curves and volatility. As interest rate volatility increases, our valuation of the derivative changes unfavorably.

Interest rate swaps related to securitization entities. The valuation of interest rate swaps related to securitization entities is determined using an income approach. The primary input into the valuation represents the forward interest rate swap curve, which is generally considered an observable input, and results in the derivative being classified as Level 2.

Inflation indexed swaps. The valuation of inflation indexed swaps is determined using an income approach. The primary inputs into the valuation represent the forward interest rate swap curve, the current consumer price index and the forward consumer price index curve, which are generally considered observable inputs, and results in the derivative being classified as Level 2.

Foreign currency swaps. The valuation of foreign currency swaps is determined using an income approach. The primary inputs into the valuation represent the forward interest rate swap curve and foreign currency exchange rates, both of which are considered an observable input, and results in the derivative being classified as Level 2.

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Credit default swaps. We have both single name credit default swaps and index tranche credit default swaps. For single name credit default swaps, we utilize an income approach to determine fair value based on using current market information for the credit spreads of the reference entity, which is considered observable inputs based on the reference entities of our derivatives and results in these derivatives being classified as Level 2. For index tranche credit default swaps, we utilize an income approach that utilizes current market information related to credit spreads and expected defaults and losses associated with the reference entities that comprise the respective index associated with each derivative. There are significant unobservable inputs associated with the timing and amount of losses from the reference entities as well as the timing or amount of losses, if any, that will be absorbed by our tranche. Accordingly, the index tranche credit default swaps are classified as Level 3. As credit spreads widen for the underlying issuers comprising the index, the change in our valuation of these credit default swaps will be unfavorable.

Credit default swaps related to securitization entities. Credit default swaps related to securitization entities represent customized index tranche credit default swaps and are valued using a similar methodology as described above for index tranche credit default swaps. We determine fair value of these credit default swaps after considering both the valuation methodology described above as well as the valuation provided by the derivative counterparty. In addition to the valuation methodology and inputs described for index tranche credit default swaps, these customized credit default swaps contain a feature that permits the securitization entity to provide the par value of underlying assets in the securitization entity to settle any losses under the credit default swap. The valuation of this settlement feature is dependent upon the valuation of the underlying assets and the timing and amount of any expected loss on the credit default swap, which is considered a significant unobservable input. Accordingly, these customized index tranche credit default swaps related to securitization entities are classified as Level 3. As credit spreads widen for the underlying issuers comprising the customized index, the change in our valuation of these credit default swaps will be unfavorable.

Equity index options. We have equity index options associated with various equity indices. The valuation of equity index options is determined using an income approach. The primary inputs into the valuation represent forward interest rate volatility and time value component associated with the optionality in the derivative, which are considered significant unobservable inputs in most instances. The equity index volatility surface is determined based on market information that is not readily observable and is developed based upon inputs received from several third-party sources. Accordingly, these options are classified as Level 3. As equity index volatility increases, our valuation of these options changes favorably.

Financial futures. The fair value of financial futures is based on the closing exchange prices. Accordingly, these financial futures are classified as Level 1. The period end valuation is zero as a result of settling the margins on these contracts on a daily basis.

Equity return swaps. The valuation of equity return swaps is determined using an income approach. The primary inputs into the valuation represent the forward interest rate swap curve and underlying equity index values, which are generally considered observable inputs, and results in the derivative being classified as Level 2.

Forward bond purchase commitments. The valuation of forward bond purchase commitments is determined using an income approach. The primary input into the valuation represents the current bond prices and interest rates, which are generally considered an observable input, and results in the derivative being classified as Level 2.

Other foreign currency contracts. We have certain foreign currency options classified as other foreign currency contracts. The valuation of foreign currency options is determined using an income approach. The primary inputs into the valuation represent the forward interest rate swap curve, foreign currency exchange rates, forward

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interest rate, foreign currency exchange rate volatility, foreign equity index volatility and time value component associated with the optionality in the derivative. As a result of the significant unobservable inputs associated with the forward interest rate, foreign currency exchange rate volatility and foreign equity index volatility inputs, the derivative is classified as Level 3. As foreign currency exchange rate volatility and foreign equity index volatility increases, the change in our valuation of these options will be favorable for purchase options and unfavorable for options sold. We also have foreign currency forward contracts where the valuation is determined using an income approach. The primary inputs into the valuation represent the forward foreign currency exchange rates, which are generally considered observable inputs and results in the derivative being classified as Level 2.

GMWB embedded derivatives

We are required to bifurcate an embedded derivative for certain features associated with annuity products and related reinsurance agreements where we provide a GMWB to the policyholder and are required to record the GMWB embedded derivative at fair value. The valuation of our GMWB embedded derivative is based on an income approach that incorporates inputs such as forward interest rates, equity index volatility, equity index and fund correlation, and policyholder assumptions such as utilization, lapse and mortality. In addition to these inputs, we also consider risk and expense margins when determining the projected cash flows that would be determined by another market participant. While the risk and expense margins are considered in determining fair value, these inputs do not have a significant impact on the valuation. We determine fair value using an internal model based on the various inputs noted above. The resulting fair value measurement from the model is reviewed by the product actuarial, risk and finance professionals each reporting period with changes in fair value also being compared to changes in derivatives and other instruments used to mitigate changes in fair value from certain market risks, such as equity index volatility and interest rates.

For GMWB liabilities, non-performance risk is integrated into the discount rate. Our discount rate used to determine fair value of our GMWB liabilities includes market credit spreads above U.S. Treasury rates to reflect an adjustment for the non-performance risk of the GMWB liabilities. As of September 30, 2015 and December 31, 2014, the impact of non-performance risk resulted in a lower fair value of our GMWB liabilities of \$82 million and \$74 million, respectively.

To determine the appropriate discount rate to reflect the non-performance risk of the GMWB liabilities, we evaluate the non-performance risk in our liabilities based on a hypothetical exit market transaction as there is no exit market for these types of liabilities. A hypothetical exit market can be viewed as a hypothetical transfer of the liability to another similarly rated insurance company which would closely resemble a reinsurance transaction. Another hypothetical exit market transaction can be viewed as a hypothetical transaction from the perspective of the GMWB policyholder. In determining the appropriate discount rate to incorporate non-performance risk of the GMWB liabilities, we also considered the impacts of state guarantees embedded in the related insurance product as a form of inseparable third-party guarantee. We believe that a hypothetical exit market participant would use a similar discount rate as described above to value the liabilities.

For equity index volatility, we determine the projected equity market volatility using both historical volatility and projected equity market volatility with more significance being placed on projected near-term volatility and recent historical data. Given the different attributes and market characteristics of GMWB liabilities compared to equity index options in the derivative market, the equity index volatility assumption for GMWB liabilities may be different from the volatility assumption for equity index options, especially for the longer dated points on the curve.

Equity index and fund correlations are determined based on historical price observations for the fund and equity index.

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For policyholder assumptions, we use our expected lapse, mortality and utilization assumptions and update these assumptions for our actual experience, as necessary. For our lapse assumption, we adjust our base lapse assumption by policy based on a combination of the policyholder's current account value and GMWB benefit.

We classify the GMWB valuation as Level 3 based on having significant unobservable inputs, with equity index volatility and non-performance risk being considered the more significant unobservable inputs. As equity index volatility increases, the fair value of the GMWB liabilities will increase. Any increase in non-performance risk would increase the discount rate and would decrease the fair value of the GMWB liability. Additionally, we consider lapse and utilization assumptions to be significant unobservable inputs. An increase in our lapse assumption would decrease the fair value of the GMWB liability, whereas an increase in our utilization rate would increase the fair value.

Fixed index annuity embedded derivatives

We offer fixed indexed annuity products where interest is credited to the policyholder's account balance based on equity index changes. This feature is required to be bifurcated as an embedded derivative and recorded at fair value. Fair value is determined using an income approach where the present value of the excess cash flows above the guaranteed cash flows is used to determine the value attributed to the equity index feature. The inputs used in determining the fair value include policyholder behavior (lapses and withdrawals), near-term equity index volatility, expected future interest credited, forward interest rates and an adjustment to the discount rate to incorporate non-performance risk and risk margins. As a result of our assumptions for policyholder behavior and expected future interest credited being considered significant unobservable inputs, we classify these instruments as Level 3. As lapses and withdrawals increase, the value of our embedded derivative liability will decrease. As expected future interest credited decreases, the value of our embedded derivative liability will decrease.

Indexed universal life embedded derivatives

We offer indexed universal life products where interest is credited to the policyholder's account balance based on equity index changes. This feature is required to be bifurcated as an embedded derivative and recorded at fair value. Fair value is determined using an income approach where the present value of the excess cash flows above the guaranteed cash flows is used to determine the value attributed to the equity index feature. The inputs used in determining the fair value include policyholder behavior (lapses and withdrawals), near-term equity index volatility, expected future interest credited, forward interest rates and an adjustment to the discount rate to incorporate non-performance risk and risk margins. As a result of our assumptions for policyholder behavior and expected future interest credited being considered significant unobservable inputs, we classify these instruments as Level 3. As lapses and withdrawals increase, the value of our embedded derivative liability will decrease. As expected future interest credited decreases, the value of our embedded derivative liability will decrease.

Borrowings related to securitization entities

We record certain borrowings related to securitization entities at fair value. The fair value of these borrowings is determined using either a market approach or income approach, depending on the instrument and availability of market information. Given the unique characteristics of the securitization entities that issued these borrowings as well as the lack of comparable instruments, we determine fair value considering the valuation of the underlying assets held by the securitization entities and any derivatives, as well as any unique characteristics of the borrowings that may impact the valuation. After considering all relevant inputs, we determine fair value of the borrowings using the net valuation of the underlying assets and derivatives that are backing the borrowings. Accordingly, these instruments are classified as Level 3. Increases in the valuation of the underlying assets or decreases in the derivative liabilities will result in an increase in the fair value of these borrowings.

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The following tables set forth our assets by class of instrument that are measured at fair value on a recurring basis as of the dates indicated:

(Amounts in millions)	September 30, 2015			
	Total	Level 1	Level 2	Level 3
Assets				
Investments:				
Fixed maturity securities:				
U.S. government, agencies and government-sponsored enterprises	\$ 5,913	\$ —	\$ 5,910	\$ 3
State and political subdivisions	2,448	—	2,413	35
Non-U.S. government	1,952	—	1,952	—
U.S. corporate:				
Utilities	3,800	—	3,337	463
Energy	2,771	—	2,506	265
Finance and insurance	5,849	—	5,187	662
Consumer—non-cyclical	4,142	—	4,047	95
Technology and communications	2,408	—	2,374	34
Industrial	1,301	—	1,236	65
Capital goods	2,077	—	1,887	190
Consumer—cyclical	1,833	—	1,526	307
Transportation	1,091	—	981	110
Other	423	—	237	186
Total U.S. corporate	<u>25,695</u>	<u>—</u>	<u>23,318</u>	<u>2,377</u>
Non-U.S. corporate:				
Utilities	897	—	553	344
Energy	1,891	—	1,612	279
Finance and insurance	2,877	—	2,643	234
Consumer—non-cyclical	755	—	598	157
Technology and communications	996	—	954	42
Industrial	1,096	—	1,008	88
Capital goods	610	—	380	230
Consumer—cyclical	566	—	479	87
Transportation	611	—	465	146
Other	2,900	—	2,827	73
Total non-U.S. corporate	<u>13,199</u>	<u>—</u>	<u>11,519</u>	<u>1,680</u>
Residential mortgage-backed	5,118	—	5,048	70
Commercial mortgage-backed	2,587	—	2,576	11
Other asset-backed	3,939	—	2,633	1,306
Total fixed maturity securities	<u>60,851</u>	<u>—</u>	<u>55,369</u>	<u>5,482</u>
Equity securities	273	233	2	38
Other invested assets:				
Trading securities	458	—	458	—
Derivative assets:				
Interest rate swaps	1,246	—	1,246	—
Inflation indexed swaps	2	—	2	—
Foreign currency swaps	8	—	8	—
Credit default swaps	1	—	—	1
Equity index options	15	—	—	15
Equity return swaps	15	—	15	—
Forward bond purchase commitments	13	—	13	—
Other foreign currency contracts	25	—	25	—
Total derivative assets	<u>1,325</u>	<u>—</u>	<u>1,309</u>	<u>16</u>
Securities lending collateral	367	—	367	—
Total other invested assets	<u>2,150</u>	<u>—</u>	<u>2,134</u>	<u>16</u>
Restricted other invested assets related to securitization entities	412	—	181	231
Reinsurance recoverable (1)	19	—	—	19
Separate account assets	7,893	7,893	—	—
Total assets	<u>\$71,598</u>	<u>\$ 8,126</u>	<u>\$57,686</u>	<u>\$ 5,786</u>

(1) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

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(Amounts in millions)	December 31, 2014			
	Total	Level 1	Level 2	Level 3
Assets				
Investments:				
Fixed maturity securities:				
U.S. government, agencies and government-sponsored enterprises	\$ 6,000	\$ —	\$ 5,996	\$ 4
State and political subdivisions	2,222	—	2,192	30
Non-U.S. government	1,920	—	1,913	7
U.S. corporate:				
Utilities	3,864	—	3,420	444
Energy	2,742	—	2,457	285
Finance and insurance	5,653	—	5,037	616
Consumer—non-cyclical	4,019	—	3,879	140
Technology and communications	2,325	—	2,280	45
Industrial	1,287	—	1,251	36
Capital goods	2,006	—	1,840	166
Consumer—cyclical	1,900	—	1,537	363
Transportation	1,039	—	886	153
Other	401	—	230	171
Total U.S. corporate	<u>25,236</u>	<u>—</u>	<u>22,817</u>	<u>2,419</u>
Non-U.S. corporate:				
Utilities	913	—	585	328
Energy	2,050	—	1,726	324
Finance and insurance	3,012	—	2,791	221
Consumer—non-cyclical	812	—	615	197
Technology and communications	1,066	—	1,024	42
Industrial	1,225	—	1,094	131
Capital goods	631	—	394	237
Consumer—cyclical	549	—	460	89
Transportation	594	—	440	154
Other	3,411	—	3,330	81
Total non-U.S. corporate	<u>14,263</u>	<u>—</u>	<u>12,459</u>	<u>1,804</u>
Residential mortgage-backed	5,228	—	5,163	65
Commercial mortgage-backed	2,702	—	2,697	5
Other asset-backed	3,705	—	2,285	1,420
Total fixed maturity securities	<u>61,276</u>	<u>—</u>	<u>55,522</u>	<u>5,754</u>
Equity securities	<u>275</u>	<u>237</u>	<u>4</u>	<u>34</u>
Other invested assets:				
Trading securities	241	—	241	—
Derivative assets:				
Interest rate swaps	1,091	—	1,091	—
Foreign currency swaps	6	—	6	—
Credit default swaps	4	—	1	3
Equity index options	17	—	—	17
Other foreign currency contracts	14	—	14	—
Total derivative assets	<u>1,132</u>	<u>—</u>	<u>1,112</u>	<u>20</u>
Securities lending collateral	289	—	289	—
Total other invested assets	<u>1,662</u>	<u>—</u>	<u>1,642</u>	<u>20</u>
Restricted other invested assets related to securitization entities	411	—	181	230
Reinsurance recoverable (1)	13	—	—	13
Separate account assets	9,208	9,208	—	—
Total assets	<u>\$72,845</u>	<u>\$ 9,445</u>	<u>\$57,349</u>	<u>\$ 6,051</u>

(1) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

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We review the fair value hierarchy classifications each reporting period. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets or liabilities. Such reclassifications are reported as transfers between levels at the beginning fair value for the reporting period in which the changes occur. Given the types of assets classified as Level 1, which primarily represents mutual fund investments, we typically do not have any transfers between Level 1 and Level 2 measurement categories and did not have any such transfers during any period presented.

Our assessment of whether or not there were significant unobservable inputs related to fixed maturity securities was based on our observations obtained through the course of managing our investment portfolio, including interaction with other market participants, observations related to the availability and consistency of pricing and/or rating, and understanding of general market activity such as new issuance and the level of secondary market trading for a class of securities. Additionally, we considered data obtained from third-party pricing sources to determine whether our estimated values incorporate significant unobservable inputs that would result in the valuation being classified as Level 3.

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The following tables present additional information about assets measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value as of or for the dates indicated:

(Amounts in millions)	Beginning balance as of July 1, 2015	Total realized and unrealized gains (losses)						Transfer into Level 3 ⁽¹⁾	Transfer out of Level 3 ⁽¹⁾	Ending balance as of September 30, 2015	Total gains (losses) included in net income (loss) attributable to assets still held
		Included in net income (loss)	Included in OCI	Purchases	Sales	Issuances	Settlements				
Fixed maturity securities:											
U.S. government, agencies and government-sponsored enterprises	\$ 3	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3	\$ —
State and political subdivisions	40	1	(1)	—	—	—	—	—	(5)	35	1
Non-U.S. government	5	—	—	—	—	—	—	—	(5)	—	—
U.S. corporate:											
Utilities	448	—	1	23	—	—	—	8	(17)	463	—
Energy	269	—	(3)	—	—	—	(1)	—	—	265	—
Finance and insurance	629	4	(3)	55	—	—	(3)	—	(20)	662	3
Consumer—non-cyclical	108	—	(1)	—	—	—	(2)	—	(10)	95	—
Technology and communications	33	1	1	—	—	—	—	—	(1)	34	1
Industrial	36	—	1	28	—	—	—	—	—	65	—
Capital goods	165	—	(2)	27	—	—	—	—	—	190	—
Consumer—cyclical	296	1	(2)	30	—	—	(28)	10	—	307	—
Transportation	121	—	(1)	—	—	—	(1)	—	(9)	110	—
Other	166	—	2	—	—	—	(1)	19	—	186	—
Total U.S. corporate	2,271	6	(7)	163	—	—	(36)	37	(57)	2,377	4
Non-U.S. corporate:											
Utilities	326	—	—	18	—	—	—	—	—	344	—
Energy	305	—	(3)	—	—	—	(23)	—	—	279	—
Finance and insurance	218	—	1	15	—	—	—	—	—	234	—
Consumer—non-cyclical	169	—	—	—	—	—	(11)	—	(1)	157	—
Technology and communications	42	—	—	—	—	—	—	—	—	42	—
Industrial	125	—	—	—	—	—	(4)	—	(33)	88	—
Capital goods	237	—	(2)	—	—	—	(5)	—	—	230	—
Consumer—cyclical	73	—	(2)	—	—	—	—	16	—	87	—
Transportation	154	—	—	—	—	—	(8)	—	—	146	—
Other	75	—	(2)	—	—	—	—	—	—	73	—
Total non-U.S. corporate	1,724	—	(8)	33	—	—	(51)	16	(34)	1,680	—
Residential mortgage-backed	132	—	(3)	6	—	—	(2)	9	(72)	70	—
Commercial mortgage-backed	25	—	(1)	—	—	—	—	—	(13)	11	—
Other asset-backed	1,360	—	(7)	34	(14)	—	(50)	77	(94)	1,306	2
Total fixed maturity securities	5,560	7	(27)	236	(14)	—	(139)	139	(280)	5,482	7
Equity securities	41	—	—	—	(4)	—	—	1	—	38	—
Other invested assets:											
Derivative assets:											
Credit default swaps	1	—	—	—	—	—	—	—	—	1	—
Equity index options	12	6	—	—	—	—	(3)	—	—	15	5
Total derivative assets	13	6	—	—	—	—	(3)	—	—	16	5
Total other invested assets	13	6	—	—	—	—	(3)	—	—	16	5
Restricted other invested assets related to securitization entities											
Reinsurance recoverable (2)	230	1	—	—	—	—	—	—	—	231	1
	10	9	—	—	—	—	—	—	—	19	9
Total Level 3 assets	\$ 5,854	\$ 23	\$ (27)	\$ 236	\$ (18)	\$ —	\$ (142)	\$ 140	\$ (280)	\$ 5,786	\$ 22

(1) The transfers into and out of Level 3 for fixed maturity securities were related to changes in the primary pricing source and changes in the observability of external information used in determining the fair value, such as external ratings or credit spreads, as well as changes in the industry sectors assigned to specific securities.
(2) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

GENWORTH FINANCIAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Amounts in millions)	Beginning balance as of July 1, 2014	Total realized and unrealized gains (losses)		Purchases	Sales	Issuances	Settlements	Transfer into Level 3 ⁽¹⁾	Transfer out of Level 3 ⁽¹⁾	Ending balance as of September 30, 2014	Total gains (losses) included in net income (loss) attributable to assets still held
		Included in net income (loss)	Included in OCI								
Fixed maturity securities:											
U.S. government, agencies and government-sponsored enterprises	\$ 4	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4	\$ —
State and political subdivisions	33	1	—	—	—	—	—	—	—	34	1
Non-U.S. government	25	—	—	—	—	—	(1)	—	(17)	7	—
U.S. corporate:											
Utilities	391	—	—	6	—	—	—	97	—	494	—
Energy	252	—	(4)	25	—	—	(1)	—	(57)	215	—
Finance and insurance	513	3	(7)	6	—	—	(2)	70	—	583	3
Consumer—non-cyclical	174	4	(3)	—	—	—	(31)	—	—	144	—
Technology and communications	65	—	—	—	—	—	(1)	—	—	64	1
Industrial	36	—	—	—	—	—	—	—	—	36	—
Capital goods	157	—	—	8	—	—	—	17	—	182	—
Consumer—cyclical	416	1	(1)	—	—	—	(29)	—	—	387	1
Transportation	163	—	(1)	10	—	—	(2)	—	—	170	—
Other	223	—	1	—	—	—	(41)	—	—	183	—
Total U.S. corporate	2,390	8	(15)	55	—	—	(107)	184	(57)	2,458	5
Non-U.S. corporate:											
Utilities	297	—	—	24	—	—	—	26	—	347	—
Energy	294	—	(2)	17	—	—	(22)	—	(3)	284	—
Finance and insurance	264	1	2	—	—	—	(1)	6	(30)	242	1
Consumer—non-cyclical	226	—	—	—	—	—	(1)	—	—	225	—
Technology and communications	58	—	—	20	—	—	—	—	—	78	—
Industrial	144	—	(1)	—	—	—	—	—	—	143	—
Capital goods	242	1	(1)	—	—	—	(30)	—	—	212	—
Consumer—cyclical	90	—	(1)	—	—	—	—	—	—	89	—
Transportation	165	—	—	—	—	—	—	14	—	179	—
Other	73	—	(4)	—	—	—	—	—	—	69	—
Total non-U.S. corporate	1,853	2	(7)	61	—	—	(54)	46	(33)	1,868	1
Residential mortgage-backed	61	—	(3)	15	—	—	(2)	—	—	71	—
Commercial mortgage-backed	5	—	—	—	—	—	—	—	—	5	—
Other asset-backed	1,268	2	—	65	(9)	—	(49)	127	—	1,404	1
Total fixed maturity securities	5,639	13	(25)	196	(9)	—	(213)	357	(107)	5,851	8
Equity securities	67	—	—	—	(1)	—	—	—	—	66	—
Other invested assets:											
Trading securities	31	—	—	—	—	—	—	—	(31)	—	—
Derivative assets:											
Credit default swaps	6	—	—	—	—	—	(2)	—	—	4	—
Equity index options	4	(1)	—	8	—	—	—	—	—	11	—
Total derivative assets	10	(1)	—	8	—	—	(2)	—	—	15	—
Total other invested assets	41	(1)	—	8	—	—	(2)	—	(31)	15	—
Restricted other invested assets related to securitization entities	224	(1)	—	1	—	—	—	—	—	224	(1)
Reinsurance recoverable (2)	3	5	—	—	—	—	—	—	—	8	5
Total Level 3 assets	\$ 5,974	\$ 16	\$ (25)	\$ 205	\$ (10)	\$ —	\$ (215)	\$ 357	\$ (138)	\$ 6,164	\$ 12

(1) The transfers into and out of Level 3 for fixed maturity securities were related to changes in the primary pricing source and changes in the observability of external information used in determining the fair value, such as external ratings or credit spreads.

(2) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

GENWORTH FINANCIAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following tables present additional information about assets measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value as of or for the dates indicated:

(Amounts in millions)	Beginning balance as of January 1, 2015	Total realized and unrealized gains (losses)						Transfer into Level 3 ⁽¹⁾	Transfer out of Level 3 ⁽¹⁾	Ending balance as of September 30, 2015	Total gains (losses) included in net income (loss) attributable to assets still held
		Included in net income (loss)	Included in OCI	Purchases	Sales	Issuances	Settlements				
Fixed maturity securities:											
U.S. government, agencies and government-sponsored enterprises	\$ 4	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3	\$ —
State and political subdivisions	30	2	8	5	—	—	—	—	(10)	35	2
Non-U.S. government	7	—	(1)	—	—	—	(1)	—	(5)	—	—
U.S. corporate:											
Utilities	444	—	(9)	38	—	—	(2)	10	(18)	463	—
Energy	285	—	(7)	4	(4)	—	(5)	—	(8)	265	—
Finance and insurance	616	12	(25)	83	—	—	(28)	47	(43)	662	10
Consumer—non-cyclical	140	2	—	—	—	—	(37)	—	(10)	95	—
Technology and communications	45	2	(2)	—	—	—	—	—	(11)	34	2
Industrial	36	—	1	28	—	—	—	—	—	65	—
Capital goods	166	—	(3)	28	(1)	—	—	—	—	190	—
Consumer—cyclical	363	1	(3)	39	—	—	(36)	10	(67)	307	—
Transportation	153	1	(3)	7	—	—	(30)	—	(18)	110	1
Other	171	1	—	—	—	—	(5)	19	—	186	1
Total U.S. corporate	2,419	19	(51)	227	(5)	—	(143)	86	(175)	2,377	14
Non-U.S. corporate:											
Utilities	328	—	(2)	18	—	—	—	—	—	344	—
Energy	324	(1)	(5)	—	(9)	—	(30)	—	—	279	(1)
Finance and insurance	221	2	(3)	21	—	—	(3)	—	(4)	234	2
Consumer—non-cyclical	197	—	2	—	—	—	(41)	—	(1)	157	—
Technology and communications	42	—	—	—	—	—	—	1	(1)	42	—
Industrial	131	—	—	7	—	—	(18)	1	(33)	88	—
Capital goods	237	—	(2)	—	—	—	(5)	—	—	230	—
Consumer—cyclical	89	—	(1)	—	—	—	—	16	(17)	87	—
Transportation	154	—	—	—	—	—	(8)	—	—	146	—
Other	81	—	3	—	—	—	(11)	1	(1)	73	—
Total non-U.S. corporate	1,804	1	(8)	46	(9)	—	(116)	19	(57)	1,680	1
Residential mortgage-backed	65	—	(3)	37	—	—	(7)	50	(72)	70	—
Commercial mortgage-backed	5	—	(1)	9	—	—	(1)	13	(14)	11	—
Other asset-backed	1,420	3	10	129	(22)	—	(234)	141	(141)	1,306	2
Total fixed maturity securities	5,754	25	(46)	453	(36)	—	(503)	309	(474)	5,482	19
Equity securities	34	—	—	1	(5)	—	—	8	—	38	—
Other invested assets:											
Derivative assets:											
Credit default swaps	3	—	—	—	—	—	(2)	—	—	1	—
Equity index options	17	(11)	—	12	—	—	(3)	—	—	15	(8)
Total derivative assets	20	(11)	—	12	—	—	(5)	—	—	16	(8)
Total other invested assets	20	(11)	—	12	—	—	(5)	—	—	16	(8)
Restricted other invested assets related to securitization entities	230	1	—	—	—	—	—	—	—	231	1
Reinsurance recoverable ⁽²⁾	13	5	—	—	—	1	—	—	—	19	5
Total Level 3 assets	\$ 6,051	\$ 20	\$ (46)	\$ 466	\$ (41)	\$ 1	\$ (508)	\$ 317	\$ (474)	\$ 5,786	\$ 17

(1) The transfers into and out of Level 3 for fixed maturity securities were related to changes in the primary pricing source and changes in the observability of external information used in determining the fair value, such as external ratings or credit spreads, as well as changes in the industry sectors assigned to specific securities.

(2) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

GENWORTH FINANCIAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Amounts in millions)	Beginning balance as of January 1, 2014	Total realized and unrealized gains (losses)		Purchases	Sales	Issuances	Settlements	Transfer into Level 3 ⁽¹⁾	Transfer out of Level 3 ⁽¹⁾	Ending balance as of September 30, 2014	Total gains (losses) included in net income (loss) attributable to assets still held
		Included in net income (loss)	Included in OCI								
Fixed maturity securities:											
U.S. government, agencies and government-sponsored enterprises	\$ 5	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (1)	\$ —	\$ —	\$ 4	\$ —
State and political subdivisions	27	2	—	5	—	—	—	—	—	34	2
Non-U.S. government	23	—	—	3	—	—	(2)	—	(17)	7	—
U.S. corporate:											
Utilities	420	—	6	18	—	—	(5)	102	(47)	494	—
Energy	281	—	(1)	25	—	—	(2)	14	(102)	215	—
Finance and insurance	433	10	19	37	—	—	(7)	128	(37)	583	10
Consumer—non-cyclical	224	2	4	—	(38)	—	(58)	10	—	144	(2)
Technology and communications	60	2	3	—	—	—	(1)	—	—	64	3
Industrial	24	2	2	27	—	—	(16)	—	(3)	36	2
Capital goods	139	—	4	8	—	—	—	31	—	182	—
Consumer—cyclical	386	1	3	62	(1)	—	(64)	—	—	387	1
Transportation	196	1	4	10	—	—	(9)	—	(32)	170	1
Other	210	—	10	8	—	—	(45)	—	—	183	1
Total U.S. corporate	2,373	18	54	195	(39)	—	(207)	285	(221)	2,458	16
Non-U.S. corporate:											
Utilities	260	—	7	54	—	—	—	26	—	347	—
Energy	320	—	4	17	—	—	(44)	—	(13)	284	—
Finance and insurance	181	3	29	86	(42)	—	(6)	21	(30)	242	3
Consumer—non-cyclical	212	—	1	35	—	—	(23)	—	—	225	—
Technology and communications	58	—	—	20	—	—	—	—	—	78	—
Industrial	151	—	2	—	—	—	—	—	(10)	143	—
Capital goods	299	1	(1)	—	(35)	—	(40)	—	(12)	212	—
Consumer—cyclical	96	—	1	5	—	—	(13)	—	—	89	—
Transportation	153	—	1	11	—	—	—	14	—	179	—
Other	89	—	(3)	—	—	—	(17)	—	—	69	—
Total non-U.S. corporate	1,819	4	41	228	(77)	—	(143)	61	(65)	1,868	3
Residential mortgage-backed	104	—	(1)	15	(23)	—	(6)	13	(31)	71	—
Commercial mortgage-backed	6	—	3	—	—	—	(2)	6	(8)	5	—
Other asset-backed	1,166	5	7	276	(14)	—	(127)	185	(94)	1,404	2
Total fixed maturity securities	5,523	29	104	722	(153)	—	(488)	550	(436)	5,851	23
Equity securities											
	78	—	—	—	(12)	—	—	—	—	66	—
Other invested assets:											
Trading securities	34	—	—	—	—	—	(3)	—	(31)	—	—
Derivative assets:											
Credit default swaps	10	—	—	—	—	—	(6)	—	—	4	—
Equity index options	12	(19)	—	18	—	—	—	—	—	11	(18)
Other foreign currency contracts	3	(2)	—	—	(1)	—	—	—	—	—	—
Total derivative assets	25	(21)	—	18	(1)	—	(6)	—	—	15	(18)
Total other invested assets	59	(21)	—	18	(1)	—	(9)	—	(31)	15	(18)
Restricted other invested assets related to securitization entities	211	12	—	1	—	—	—	—	—	224	12
Reinsurance recoverable ⁽²⁾	(1)	7	—	—	—	2	—	—	—	8	7
Total Level 3 assets	\$ 5,870	\$ 27	\$ 104	\$ 741	\$ (166)	\$ 2	\$ (497)	\$ 550	\$ (467)	\$ 6,164	\$ 24

(1) The transfers into and out of Level 3 for fixed maturity securities were related to changes in the primary pricing source and changes in the observability of external information used in determining the fair value, such as external ratings or credit spreads.

(2) Represents embedded derivatives associated with the reinsured portion of our GMWB liabilities.

GENWORTH FINANCIAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the gains and losses included in net income (loss) from assets measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value and the related income statement line item in which these gains and losses were presented for the periods indicated:

(Amounts in millions)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Total realized and unrealized gains (losses) included in net income (loss):				
Net investment income	\$ 9	\$ 14	\$ 30	\$ 34
Net investment gains (losses)	14	2	(10)	(7)
Total	<u>\$ 23</u>	<u>\$ 16</u>	<u>\$ 20</u>	<u>\$ 27</u>
Total gains (losses) included in net income (loss) attributable to assets still held:				
Net investment income	\$ 8	\$ 9	\$ 23	\$ 26
Net investment gains (losses)	14	3	(6)	(2)
Total	<u>\$ 22</u>	<u>\$ 12</u>	<u>\$ 17</u>	<u>\$ 24</u>

The amount presented for unrealized gains (losses) included in net income (loss) for available-for-sale securities represents impairments and accretion on certain fixed maturity securities.

The following tables set forth our liabilities by class of instrument that are measured at fair value on a recurring basis as of the dates indicated:

(Amounts in millions)	September 30, 2015			
	Total	Level 1	Level 2	Level 3
Liabilities				
Policyholder account balances:				
GMWB embedded derivatives (1)	\$ 390	\$ —	\$ —	\$ 390
Fixed index annuity embedded derivatives	304	—	—	304
Indexed universal life embedded derivatives	10	—	—	10
Total policyholder account balances	<u>704</u>	<u>—</u>	<u>—</u>	<u>704</u>
Derivative liabilities:				
Interest rate swaps	290	—	290	—
Interest rate swaps related to securitization entities	30	—	30	—
Inflation indexed swaps	14	—	14	—
Foreign currency swaps	22	—	22	—
Credit default swaps related to securitization entities	10	—	—	10
Other foreign currency contracts	34	—	34	—
Total derivative liabilities	<u>400</u>	<u>—</u>	<u>390</u>	<u>10</u>
Borrowings related to securitization entities	80	—	—	80
Total liabilities	<u>\$1,184</u>	<u>\$ —</u>	<u>\$ 390</u>	<u>\$ 794</u>

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

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GENWORTH FINANCIAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Amounts in millions)	December 31, 2014			
	Total	Level 1	Level 2	Level 3
Liabilities				
Policyholder account balances:				
GMWB embedded derivatives (1)	\$291	\$ —	\$ —	\$ 291
Fixed index annuity embedded derivatives	276	—	—	276
Indexed universal life embedded derivatives	7	—	—	7
Total policyholder account balances	<u>574</u>	<u>—</u>	<u>—</u>	<u>574</u>
Derivative liabilities:				
Interest rate swaps	204	—	204	—
Interest rate swaps related to securitization entities	26	—	26	—
Inflation indexed swaps	42	—	42	—
Foreign currency swaps	7	—	7	—
Credit default swaps related to securitization entities	17	—	—	17
Equity return swaps	1	—	1	—
Other foreign currency contracts	13	—	13	—
Total derivative liabilities	<u>310</u>	<u>—</u>	<u>293</u>	<u>17</u>
Borrowings related to securitization entities	85	—	—	85
Total liabilities	<u>\$969</u>	<u>\$ —</u>	<u>\$ 293</u>	<u>\$ 676</u>

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

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GENWORTH FINANCIAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following tables present additional information about liabilities measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value as of or for the dates indicated:

(Amounts in millions)	Beginning balance as of July 1, 2015	Total realized and unrealized (gains) losses		Purchases	Sales	Issuances	Settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance as of September 30, 2015	Total (gains) losses included in net (income) loss attributable to liabilities still held
		Included in net (income) loss	Included in OCI								
Policyholder account balances:											
GMWB embedded derivatives (1)	\$ 255	\$ 126	\$ —	\$ —	\$ —	\$ 9	\$ —	\$ —	\$ —	\$ 390	\$ 124
Fixed index annuity embedded derivatives	322	(31)	—	—	—	14	(1)	—	—	304	(31)
Indexed universal life embedded derivatives	9	(2)	—	—	—	3	—	—	—	10	(2)
Total policyholder account balances	586	93	—	—	—	26	(1)	—	—	704	91
Derivative liabilities:											
Credit default swaps related to securitization entities	8	1	—	1	—	—	—	—	—	10	1
Total derivative liabilities	8	1	—	1	—	—	—	—	—	10	1
Borrowings related to securitization entities											
	84	(4)	—	—	—	—	—	—	—	80	(4)
Total Level 3 liabilities	\$ 678	\$ 90	\$ —	\$ 1	\$ —	\$ 26	\$ (1)	\$ —	\$ —	\$ 794	\$ 88

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

GENWORTH FINANCIAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Amounts in millions)	Beginning balance as of July 1, 2014	Total realized and unrealized (gains) losses		Purchases	Sales	Issuances	Settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance as of September 30, 2014	Total (gains) losses included in net (income) loss attributable to liabilities still held
		Included in net (income) loss	Included in OCI								
Policyholder account balances:											
GMWB embedded derivatives (1)	\$ 146	\$ 63	\$ —	\$ —	\$ —	\$ 9	\$ —	\$ —	\$ —	\$ 218	\$ 63
Fixed index annuity embedded derivatives	219	7	—	—	—	21	(1)	—	—	246	7
Indexed universal life embedded derivatives	2	—	—	—	—	1	—	—	—	3	—
Total policyholder account balances	367	70	—	—	—	31	(1)	—	—	467	70
Derivative liabilities:											
Credit default swaps related to securitization entities	16	2	—	1	—	—	—	—	—	19	2
Total derivative liabilities	16	2	—	1	—	—	—	—	—	19	2
Borrowings related to securitization entities	83	—	—	—	—	—	—	—	—	83	—
Total Level 3 liabilities	\$ 466	\$ 72	\$ —	\$ 1	\$ —	\$ 31	\$ (1)	\$ —	\$ —	\$ 569	\$ 72

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

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The following tables present additional information about liabilities measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value as of or for the dates indicated:

(Amounts in millions)	Beginning balance as of January 1, 2015	Total realized and unrealized (gains) losses		Purchases	Sales	Issuances	Settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance as of September 30, 2015	Total (gains) losses included in net (income) loss attributable to liabilities still held
		Included in net (income) loss	Included in OCI								
Policyholder account balances:											
GMWB embedded derivatives (1)	\$ 291	\$ 73	\$ —	\$ —	\$ —	\$ 26	\$ —	\$ —	\$ —	\$ 390	\$ 75
Fixed index annuity embedded derivatives	276	(14)	—	—	—	47	(5)	—	—	304	(14)
Indexed universal life embedded derivatives	7	(5)	—	—	—	8	—	—	—	10	(5)
Total policyholder account balances	574	54	—	—	—	81	(5)	—	—	704	56
Derivative liabilities:											
Credit default swaps related to securitization entities	17	(10)	—	3	—	—	—	—	—	10	(10)
Total derivative liabilities	17	(10)	—	3	—	—	—	—	—	10	(10)
Borrowings related to securitization entities	85	(6)	—	—	—	1	—	—	—	80	(6)
Total Level 3 liabilities	\$ 676	\$ 38	\$ —	\$ 3	\$ —	\$ 82	\$ (5)	\$ —	\$ —	\$ 794	\$ 40

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

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(Amounts in millions)	Beginning balance as of January 1, 2014	Total realized and unrealized (gains) losses		Purchases	Sales	Issuances	Settlements	Transfer into Level 3	Transfer out of Level 3	Ending balance as of September 30, 2014	Total (gains) losses included in net (income) loss attributable to liabilities still held
		Included in net (income) loss	Included in OCI								
Policyholder account balances:											
GMWB embedded derivatives (1)	\$ 96	\$ 94	\$ —	\$ —	\$ —	\$ 28	\$ —	\$ —	\$ —	\$ 218	\$ 96
Fixed index annuity embedded derivatives	143	19	—	—	—	86	(2)	—	—	246	19
Indexed universal life embedded derivatives	—	—	—	—	—	3	—	—	—	3	—
Total policyholder account balances	239	113	—	—	—	117	(2)	—	—	467	115
Derivative liabilities:											
Credit default swaps related to securitization entities	32	(16)	—	3	—	—	—	—	—	19	(16)
Other foreign currency contracts	1	1	—	—	(2)	—	—	—	—	—	—
Total derivative liabilities	33	(15)	—	3	(2)	—	—	—	—	19	(16)
Borrowings related to securitization entities	75	8	—	—	—	—	—	—	—	83	8
Total Level 3 liabilities	\$ 347	\$ 106	\$ —	\$ 3	\$ (2)	\$ 117	\$ (2)	\$ —	\$ —	\$ 569	\$ 107

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

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The following table presents the gains and losses included in net (income) loss from liabilities measured at fair value on a recurring basis and for which we have utilized significant unobservable (Level 3) inputs to determine fair value and the related income statement line item in which these gains and losses were presented for the periods indicated:

(Amounts in millions)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Total realized and unrealized (gains) losses included in net (income) loss:				
Net investment income	\$ —	\$ —	\$ —	\$ —
Net investment (gains) losses	<u>90</u>	<u>72</u>	<u>38</u>	<u>106</u>
Total	<u>\$ 90</u>	<u>\$ 72</u>	<u>\$ 38</u>	<u>\$ 106</u>
Total (gains) losses included in net (income) loss attributable to liabilities still held:				
Net investment income	\$ —	\$ —	\$ —	\$ —
Net investment (gains) losses	<u>88</u>	<u>72</u>	<u>40</u>	<u>107</u>
Total	<u>\$ 88</u>	<u>\$ 72</u>	<u>\$ 40</u>	<u>\$ 107</u>

Purchases, sales, issuances and settlements represent the activity that occurred during the period that results in a change of the asset or liability but does not represent changes in fair value for the instruments held at the beginning of the period. Such activity primarily consists of purchases, sales and settlements of fixed maturity, equity and trading securities and purchases, issuances and settlements of derivative instruments.

Issuances presented for GMWB embedded derivative liabilities are characterized as the change in fair value associated with the product fees recognized that are attributed to the embedded derivative to equal the expected future benefit costs upon issuance. Issuances for fixed index annuity and indexed universal life embedded derivative liabilities represent the amount of the premium received that is attributed to the value of the embedded derivative. Settlements of embedded derivatives are characterized as the change in fair value upon exercising the embedded derivative instrument, effectively representing a settlement of the embedded derivative instrument. We have shown these changes in fair value separately based on the classification of this activity as effectively issuing and settling the embedded derivative instrument with all remaining changes in the fair value of these embedded derivative instruments being shown separately in the category labeled “included in net (income) loss” in the tables presented above.

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Certain classes of instruments classified as Level 3 are excluded below as a result of not being material or due to limitations in being able to obtain the underlying inputs used by certain third-party sources, such as broker quotes, used as an input in determining fair value. The following table presents a summary of the significant unobservable inputs used for certain fair value measurements that are based on internal models and classified as Level 3 as of September 30, 2015:

(Amounts in millions)	Valuation technique	Fair value	Unobservable input	Range	Weighted-average
Fixed maturity securities:					
U.S. corporate:					
Utilities	Internal models	\$ 435	Credit spreads	100bps - 239bps	172bps
Energy	Internal models	168	Credit spreads	132bps - 319bps	199bps
Finance and insurance	Internal models	593	Credit spreads	105bps - 626bps	262bps
Consumer—non-cyclical	Internal models	95	Credit spreads	155bps - 401bps	235bps
Technology and communications	Internal models	34	Credit spreads	426bps	Not applicable
Industrial	Internal models	65	Credit spreads	210bps - 253bps	231bps
Capital goods	Internal models	170	Credit spreads	85bps - 427bps	197bps
Consumer—cyclical	Internal models	307	Credit spreads	85bps - 311bps	201bps
Transportation	Internal models	98	Credit spreads	79bps - 334bps	210bps
Other	Internal models	186	Credit spreads	88bps - 314bps	170bps
Total U.S. corporate	Internal models	<u>\$ 2,151</u>	Credit spreads	79bps - 626bps	215bps
Non-U.S. corporate:					
Utilities	Internal models	\$ 344	Credit spreads	100bps - 230bps	151bps
Energy	Internal models	182	Credit spreads	145bps - 411bps	235bps
Finance and insurance	Internal models	224	Credit spreads	99bps - 260bps	161bps
Consumer—non-cyclical	Internal models	144	Credit spreads	85bps - 280bps	182bps
Technology and communications	Internal models	42	Credit spreads	155bps - 293bps	227bps
Industrial	Internal models	88	Credit spreads	163bps - 261bps	224bps
Capital goods	Internal models	197	Credit spreads	155bps - 353bps	224bps
Consumer—cyclical	Internal models	87	Credit spreads	143bps - 293bps	216bps
Transportation	Internal models	146	Credit spreads	126bps - 293bps	192bps
Other	Internal models	57	Credit spreads	293bps - 690bps	413bps
Total non-U.S. corporate	Internal models	<u>\$ 1,511</u>	Credit spreads	85bps - 690bps	199bps
Derivative assets:					
Credit default swaps	Discounted cash flows	\$ 1	Credit spreads	6bps	Not applicable
Equity index options	Discounted cash flows	\$ 15	Equity index volatility	17% - 26%	23%
Policyholder account balances:					
			Withdrawal utilization rate	— % - 98%	Not applicable
			Lapse rate	— % - 15%	Not applicable
			Non-performance risk (credit spreads)	50bps - 85bps	75bps
GMWB embedded derivatives (1)	Stochastic cash flow model	\$ 390	Equity index volatility	20% - 25%	21%
Fixed index annuity embedded derivatives	Option budget method	\$ 304	Expected future interest credited	— % - 3%	2%
Indexed universal life embedded derivatives	Option budget method	\$ 10	Expected future interest credited	3% - 9%	5%

(1) Represents embedded derivatives associated with our GMWB liabilities, excluding the impact of reinsurance.

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(7) Deferred Acquisition Costs

The following table presents the activity impacting deferred acquisition costs (“DAC”) for the dates indicated:

<u>(Amounts in millions)</u>	<u>As of or for the nine months ended September 30,</u>	
	<u>2015</u>	<u>2014</u>
Unamortized beginning balance	\$ 5,197	\$ 5,211
Impact of foreign currency translation	(20)	(6)
Costs deferred	226	282
Amortization, net of interest accretion	(265)	(281)
Impairment	(455)	—
Unamortized ending balance	4,683	5,206
Accumulated effect of net unrealized investment (gains) losses	(246)	(336)
Ending balance	<u>\$ 4,437</u>	<u>\$ 4,870</u>

On September 30, 2015, Genworth Life and Annuity Insurance Company (“GLAIC”), our indirect wholly-owned subsidiary, entered into a Master Agreement (the “Master Agreement”) with Protective Life Insurance Company (“Protective Life”). Pursuant to the Master Agreement, GLAIC and Protective Life agreed to enter into a reinsurance agreement (the “Reinsurance Agreement”), under the terms of which Protective Life will coinsure certain term life insurance business of GLAIC, net of third-party reinsurance. The Reinsurance Agreement will be executed at closing which is expected during the first quarter of 2016, subject to approvals from certain regulatory authorities and satisfaction of other customary closing conditions. In connection with entering into the Master Agreement, we recorded a DAC impairment of \$455 million as a result of loss recognition testing of certain term life insurance policies as part of this life block transaction.

As of September 30, 2015, we believe all of our other businesses had sufficient future income and therefore the related DAC was recoverable.

(8) Liability for Policy and Contract Claims

The following table sets forth our recorded liability for policy and contract claims by business as of the dates indicated:

<u>(Amounts in millions)</u>	<u>September 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
Long-term care insurance	\$ 6,583	\$ 6,216
U.S. mortgage insurance	953	1,180
International mortgage insurance	303	308
Life insurance	189	197
Fixed annuities	19	21
Runoff	18	15
Total liability for policy and contract claims	<u>\$ 8,065</u>	<u>\$ 7,937</u>

The liability for policy and contract claims represents our current best estimate; however, there may be future adjustments to this estimate and related assumptions. Such adjustments, reflecting any variety of new and adverse trends, could possibly be significant, and result in increases in reserves by an amount that could be material to our results of operations and financial condition and liquidity.

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Long-term care insurance

The following table sets forth changes in the liability for policy and contract claims for our long-term care insurance business for the dates indicated:

(Amounts in millions)	As of or for the nine months ended September 30,	
	2015	2014
Beginning balance	\$ 6,216	\$ 4,999
Less reinsurance recoverables	(1,926)	(1,707)
Net beginning balance	<u>4,290</u>	<u>3,292</u>
Incurred related to insured events of:		
Current year	1,241	1,085
Prior years	6	653
Total incurred	<u>1,247</u>	<u>1,738</u>
Paid related to insured events of:		
Current year	(75)	(64)
Prior years	(1,050)	(968)
Total paid	<u>(1,125)</u>	<u>(1,032)</u>
Interest on liability for policy and contract claims	172	140
Net ending balance	4,584	4,138
Add reinsurance recoverables	1,999	1,873
Ending balance	<u>\$ 6,583</u>	<u>\$ 6,011</u>

For the nine months ended September 30, 2014, the incurred amount of \$653 million related to insured events of prior years increased largely as a result of the completion of a comprehensive review of our long-term care insurance claim reserves conducted during the third quarter of 2014 which resulted in recording higher reserves of \$604 million and an increase in reinsurance recoverables of \$73 million. This review was commenced as a result of adverse claims experience during the second quarter of 2014 and in connection with our regular review of our claim reserves assumptions during the third quarter of each year. As a result of this review, we made changes to our assumptions and methodologies relating to our long-term care insurance claim reserves primarily impacting claim termination rates, most significantly in later-duration claims, and benefit utilization rates, reflecting that claims are not terminating as quickly and claimants are utilizing more of their available benefits in aggregate than had previously been assumed in our reserve calculations. In conducting the review, we increased the population of claims reviewed, utilizing more of our recent data. During the third quarter of 2014, we also recorded a \$61 million unfavorable correction to claim reserves related to a calculation of benefit utilization for policies with a benefit inflation option. This error arose prior to 2011 and was not material to earnings in any interim or annual period. The remaining increase was attributable to aging and growth of the in-force block.

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U.S. mortgage insurance

The following table sets forth changes in the liability for policy and contract claims for our U.S. mortgage insurance business for the dates indicated:

(Amounts in millions)	As of or for the nine months ended September 30,	
	2015	2014
Beginning balance	\$1,180	\$1,482
Less reinsurance recoverables	(24)	(44)
Net beginning balance	<u>1,156</u>	<u>1,438</u>
Incurred related to insured events of:		
Current year	180	243
Prior years	(18)	23
Total incurred	<u>162</u>	<u>266</u>
Paid related to insured events of:		
Current year	(6)	(8)
Prior years	(365)	(482)
Total paid	<u>(371)</u>	<u>(490)</u>
Net ending balance	947	1,214
Add reinsurance recoverables	6	25
Ending balance	<u>\$ 953</u>	<u>\$1,239</u>

For the nine months ended September 30, 2015, the incurred amount of \$18 million related to insured events of prior years decreased primarily from improvements in net cures and the favorable aging on existing delinquencies.

For the nine months ended September 30, 2014, the incurred amount of \$23 million related to insured events of prior years increased primarily related to an aggregate increase in our claim reserves of \$53 million in connection with the settlement agreement with Bank of America, N.A. and discussions with another servicer in an effort to resolve pending disputes over loss mitigation activities in the third quarter of 2014. This increase was partially offset by favorable aging on existing delinquencies.

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(9) Borrowings and Other Financings

(a) Long-Term Borrowings

The following table sets forth total long-term borrowings as of the dates indicated:

(Amounts in millions)	September 30, 2015	December 31, 2014
Genworth Holdings (1)		
8.625% Senior Notes, due 2016	\$ 298	\$ 300
6.52% Senior Notes, due 2018	598	600
7.70% Senior Notes, due 2020	397	400
7.20% Senior Notes, due 2021	389	399
7.625% Senior Notes, due 2021	724	758
4.90% Senior Notes, due 2023	399	399
4.80% Senior Notes, due 2024	400	400
6.50% Senior Notes, due 2034	297	297
6.15% Fixed-to-Floating Rate Junior Subordinated Notes, due 2066	598	598
Total Genworth Holdings	4,100	4,151
Canada (2)		
5.68% Senior Notes, due 2020	206	236
4.24% Senior Notes, due 2024	120	138
Total Canada	326	374
Australia (3)		
Floating Rate Junior Notes, due 2021	35	114
Floating Rate Junior Notes, due 2025	140	—
Total Australia	175	114
Total	\$ 4,601	\$ 4,639

- (1) We have the option to redeem all or a portion of the senior notes at any time with notice to the noteholders at a price equal to the greater of 100% of principal or the sum of the present value of the remaining scheduled payments of principal and interest discounted at the then-current treasury rate plus an applicable spread.
- (2) Senior notes issued by our majority-owned subsidiary, Genworth MI Canada Inc. (“Genworth Canada”).
- (3) Subordinated floating rate notes issued by our indirect wholly-owned subsidiary, Genworth Financial Mortgage Insurance Pty Limited.

During the three months ended September 30, 2015, Genworth Holdings repurchased \$50 million aggregate principal amount of its senior notes for a pre-tax loss of \$1 million and paid accrued and unpaid interest thereon.

In July 2015, our indirect majority-owned subsidiary, Genworth Financial Mortgage Insurance Pty Limited, issued AUD\$200 million of subordinated floating rate notes due 2025 with an interest rate of three-month Bank Bill Swap reference rate plus a margin of 3.50%. Genworth Financial Mortgage Insurance Pty Limited used the proceeds it received from this transaction to redeem AUD\$90 million of its outstanding debt and for general corporate purposes and incurred a \$2 million pre-tax early redemption payment.

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(b) Repurchase agreements and securities lending activity

Repurchase agreements

We have a repurchase program in which we sell an investment security at a specified price and agree to repurchase that security at another specified price at a later date. Repurchase agreements are treated as collateralized financing transactions and are carried at the amounts at which the securities will be subsequently reacquired, including accrued interest, as specified in the respective agreement. The market value of securities to be repurchased is monitored and collateral levels are adjusted where appropriate to protect the parties against credit exposure. Cash received is invested in fixed maturity securities. As of September 30, 2015 and December 31, 2014, the fair value of securities pledged under the repurchase program was \$340 million and \$592 million, respectively, and the repurchase obligation of \$330 million and \$553 million, respectively, was included in other liabilities in the consolidated balance sheets.

Securities lending activity

In the United States and Canada, we engage in certain securities lending transactions for the purpose of enhancing the yield on our investment securities portfolio. We maintain effective control over all loaned securities and, therefore, continue to report such securities as fixed maturity securities on the consolidated balance sheets. We are currently indemnified against counterparty credit risk by the intermediary.

Under the securities lending program in the United States, the borrower is required to provide collateral, which can consist of cash or government securities, on a daily basis in amounts equal to or exceeding 102% of the value of the loaned securities. Currently, we only accept cash collateral from borrowers under the program. Cash collateral received by us on securities lending transactions is reflected in other invested assets with an offsetting liability recognized in other liabilities for the obligation to return the collateral. Any cash collateral received is reinvested by our custodian based upon the investment guidelines provided within our agreement. In the United States, the reinvested cash collateral is primarily invested in a money market fund approved by the National Association of Insurance Commissioners ("NAIC"), U.S. and foreign government securities, U.S. government agency securities, asset-backed securities and corporate debt securities. As of September 30, 2015 and December 31, 2014, the fair value of securities loaned under our securities lending program in the United States was \$353 million and \$288 million, respectively. As of September 30, 2015 and December 31, 2014, the fair value of collateral held under our securities lending program in the United States was \$366 million and \$289 million, respectively, and the offsetting obligation to return collateral of \$366 million and \$299 million, respectively, was included in other liabilities in the consolidated balance sheets. We did not have any non-cash collateral provided by the borrowers in our securities lending program in the United States as of September 30, 2015 and December 31, 2014.

Under our securities lending program in Canada, the borrower is required to provide collateral consisting of government securities on a daily basis in amounts equal to or exceeding 105% of the fair value of the applicable securities loaned. Securities received from counterparties as collateral are not recorded on our consolidated balance sheet given that the risk and rewards of ownership is not transferred from the counterparties to us in the course of such transactions. Additionally, there was no cash collateral because it is not permitted as an acceptable form of collateral under the program. In Canada, the lending institution must be included on the approved Securities Lending Borrowers List with the Canadian regulator and the intermediary must be rated at least "AA-" by Standard & Poor's Financial Services LLC. As of September 30, 2015 and December 31, 2014, the fair value of securities loaned under our securities lending program in Canada was \$335 million and \$371 million, respectively.

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Risks associated with repurchase agreements and securities lending programs

Our repurchase agreement and securities lending programs expose us to liquidity risk if we did not have enough cash or collateral readily available to return to the counterparty when required to do so under the agreements. We manage this risk by regularly monitoring our available sources of cash and collateral to ensure we can meet short-term liquidity demands under normal and stressed scenarios.

We are also exposed to credit risk in the event of default of our counterparties or changes in collateral values. This risk is significantly reduced because our programs require over collateralization and collateral exposures are trued up on a daily basis. We manage this risk by using multiple counterparties and ensuring that changes in required collateral are monitored and adjusted daily. We also monitor the creditworthiness, including credit ratings, of our counterparties on a regular basis.

Contractual maturity

The following tables present the remaining contractual maturity of the agreements as of the dates indicated:

(Amounts in millions)	September 30, 2015				Total
	Overnight and continuous	Up to 30 days	31 - 90 days	Greater than 90 days	
Repurchase agreements:					
U.S. government, agencies and government-sponsored enterprises	\$ —	\$ 103	\$ 70	\$ 157	\$330
Securities lending:					
Fixed maturity securities:					
U.S. government, agencies and government-sponsored enterprises	28	—	—	—	28
Non-U.S. government	47	—	—	—	47
U.S. corporate	90	—	—	—	90
Non-U.S. corporate	196	—	—	—	196
Subtotal, fixed maturity securities	361	—	—	—	361
Equity securities	5	—	—	—	5
Total securities lending	366	—	—	—	366
Total repurchase agreements and securities lending	<u>\$ 366</u>	<u>\$ 103</u>	<u>\$ 70</u>	<u>\$ 157</u>	<u>\$696</u>

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(Amounts in millions)	December 31, 2014				Total
	Overnight and continuous	Up to 30 days	31 - 90 days	Greater than 90 days	
Repurchase agreements:					
U.S. government, agencies and government-sponsored enterprises	\$ —	\$ 129	\$ 123	\$ 301	\$553
Securities lending:					
Fixed maturity securities:					
U.S. government, agencies and government-sponsored enterprises	36	—	—	—	36
Non-U.S. government	32	—	—	—	32
U.S. corporate	66	—	—	—	66
Non-U.S. corporate	163	—	—	—	163
Subtotal, fixed maturity securities	297	—	—	—	297
Equity securities	2	—	—	—	2
Total securities lending	299	—	—	—	299
Total repurchase agreements and securities lending	\$ 299	\$ 129	\$ 123	\$ 301	\$852

(10) Income Taxes

The reconciliation of the federal statutory tax rate to the effective income tax rate was as follows for the periods indicated:

(Amounts in millions)	Three months ended September 30,				Nine months ended September 30,			
	2015		2014		2015		2014	
	2015	2014	2015	2014	2015	2014	2015	2014
Pre-tax income (loss)	\$(351)	\$(980)	\$188	\$(375)				
Statutory U.S. federal income tax rate	\$ (123)	35.0%	\$ (343)	35.0%	\$ 66	35.0%	\$ (131)	35.0%
Increase (reduction) in rate resulting from:								
State income tax, net of federal income tax effect	(1)	0.4	(3)	0.3	3	1.4	3	(0.8)
Benefit on tax favored investments	(9)	2.5	(1)	0.1	(14)	(7.2)	(3)	0.8
Effect of foreign operations	(3)	0.8	(5)	0.5	(33)	(17.5)	(46)	12.3
Non-deductible expenses	—	—	—	—	1	0.6	1	(0.3)
Interest on uncertain tax positions	—	(0.2)	—	—	1	0.3	—	—
Valuation allowance	—	—	—	—	—	—	(7)	1.8
Non-deductible goodwill	—	0.1	163	(16.6)	—	—	163	(43.4)
Stock-based compensation	2	(0.5)	—	—	4	2.0	8	(2.1)
Other, net	—	—	2	(0.2)	(1)	(0.3)	(4)	1.0
Effective rate	\$ (134)	38.1%	\$ (187)	19.1%	\$ 27	14.3%	\$ (16)	4.3%

For the three months ended September 30, 2015, the increase in the effective tax rate was primarily attributable to non-deductible goodwill impairments in the prior year and decreased benefits from lower taxed foreign income in the current year, partially offset by increased benefits from tax favored investments and true ups related to lower taxed foreign income.

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For the nine months ended September 30, 2015, the increase in the effective tax rate was primarily attributable to non-deductible goodwill impairments in the prior year and decreased benefits from lower taxed foreign income, partially offset by prior year true ups related to lower taxed foreign income and increased benefits from tax favored investments.

(11) Segment Information

We operate through three divisions: Global Mortgage Insurance, U.S. Life Insurance and Corporate and Other. Under these divisions, there are four operating business segments. The Global Mortgage Insurance Division includes the International Mortgage Insurance and U.S. Mortgage Insurance segments. The U.S. Life Insurance Division includes the U.S. Life Insurance segment. The Corporate and Other Division includes the Runoff segment and Corporate and Other activities. Our operating business segments are as follows: (1) International Mortgage Insurance, which includes mortgage insurance-related products and services; (2) U.S. Mortgage Insurance, which includes mortgage insurance-related products and services; (3) U.S. Life Insurance, which includes our long-term care insurance, life insurance and fixed annuities businesses; and (4) Runoff, which includes the results of non-strategic products which are no longer actively sold. Our non-strategic products primarily include our variable annuity, variable life insurance, institutional, corporate-owned life insurance and other accident and health insurance products. Institutional products consist of: funding agreements, FABNs and GICs.

We also have Corporate and Other activities which include debt financing expenses that are incurred at the Genworth Holdings level, unallocated corporate income and expenses, eliminations of inter-segment transactions and the results of other businesses that are managed outside of our operating segments, including discontinued operations.

In the first quarter of 2015, we revised how we allocate our consolidated provision for income taxes to our operating segments to simplify our process and reflect how our chief operating decision maker is evaluating segment performance. Our revised methodology applies a specific tax rate to the pre-tax income (loss) of each segment, which is then adjusted in each segment to reflect the tax attributes of items unique to that segment such as foreign income. The difference between the consolidated provision for income taxes and the sum of the provision for income taxes in each segment is reflected in Corporate and Other activities. Previously, we calculated a unique income tax provision for each segment based on quarterly changes to tax attributes and implications of transactions specific to each product within the segment.

The annually-determined tax rates and adjustments to each segment's provision for income taxes are estimates which are subject to review and could change from year to year. Prior year amounts have not been re-presented to reflect this revised presentation and are, therefore, not comparable to the current year provision for income taxes by segment. However, we do not believe that the previous methodology would have resulted in a materially different segment-level provision for income taxes.

We use the same accounting policies and procedures to measure segment income (loss) and assets as our consolidated net income and assets. Our chief operating decision maker evaluates segment performance and allocates resources on the basis of "net operating income (loss)." We define net operating income (loss) as income (loss) from continuing operations excluding the after-tax effects of income attributable to noncontrolling interests, net investment gains (losses), goodwill impairments, gains (losses) on the sale of businesses, gains (losses) on the early extinguishment of debt, gains (losses) on insurance block transactions, restructuring costs and infrequent or unusual non-operating items. Gains (losses) on insurance block transactions are defined as gains (losses) on the early extinguishment of non-recourse funding obligations, early termination fees for other

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financing restructuring and/or resulting gains (losses) on reinsurance restructuring for certain blocks of business. We exclude net investment gains (losses) and infrequent or unusual non-operating items because we do not consider them to be related to the operating performance of our segments and Corporate and Other activities. A component of our net investment gains (losses) is the result of impairments, the size and timing of which can vary significantly depending on market credit cycles. In addition, the size and timing of other investment gains (losses) can be subject to our discretion and are influenced by market opportunities, as well as asset-liability matching considerations. Goodwill impairments, gains (losses) on the sale of businesses, gains (losses) on the early extinguishment of debt, gains (losses) on insurance block transactions and restructuring costs are also excluded from net operating income (loss) because, in our opinion, they are not indicative of overall operating trends. Infrequent or unusual non-operating items are also excluded from net operating income (loss) if, in our opinion, they are not indicative of overall operating trends.

While some of these items may be significant components of net income (loss) available to Genworth Financial, Inc.'s common stockholders in accordance with U.S. GAAP, we believe that net operating income (loss), and measures that are derived from or incorporate net operating income (loss), are appropriate measures that are useful to investors because they identify the income (loss) attributable to the ongoing operations of the business. Management also uses net operating income (loss) as a basis for determining awards and compensation for senior management and to evaluate performance on a basis comparable to that used by analysts. However, the items excluded from net operating income (loss) have occurred in the past and could, and in some cases will, recur in the future. Net operating income (loss) is not a substitute for net income (loss) available to Genworth Financial, Inc.'s common stockholders determined in accordance with U.S. GAAP. In addition, our definition of net operating income (loss) may differ from the definitions used by other companies.

In the first quarter of 2015, we modified our definition to explicitly state that restructuring costs, which were previously included in the infrequent and unusual category, are excluded from net operating income (loss). In the second quarter of 2015, we recorded a \$2 million after-tax expense related to restructuring costs as part of an expense reduction plan as we evaluate and appropriately size our organizational needs and expenses.

In the third quarter of 2014, we recorded goodwill impairments of \$167 million, net of taxes, in our long-term care insurance business and \$350 million, net of taxes, in our life insurance business.

In the third quarter of 2015, we paid an early redemption payment of approximately \$1 million, net of taxes and portion attributable to noncontrolling interests, related to the early redemption of Genworth Financial Mortgage Insurance Pty Limited's notes that were scheduled to mature in 2021. In the third quarter of 2015, we also repurchased approximately \$50 million principal amount of Genworth Holdings, Inc.'s notes with various maturity dates for a loss of \$1 million, net of taxes. In the second quarter of 2014, we paid an early redemption payment of approximately \$2 million, net of taxes and portion attributable to noncontrolling interests, related to the early redemption of Genworth Canada's notes that were scheduled to mature in 2015. These transactions were excluded from net operating income (loss) for the periods presented as they related to the loss on the early extinguishment of debt.

In the third quarter of 2015, we recorded a DAC impairment of \$296 million, net of taxes, on certain term life insurance policies in connection with entering into an agreement to complete a life block transaction.

There were no infrequent or unusual items excluded from net operating income (loss) during the periods presented other than the following item. We recognized a tax charge of \$7 million in the third quarter of 2015 from potential business portfolio changes related to our mortgage insurance business in Europe.

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Adjustments to reconcile net income (loss) attributable to Genworth Financial, Inc.'s common stockholders and net operating income (loss) assume a 35% tax rate and are net of the portion attributable to noncontrolling interests. Net investment gains (losses) are also adjusted for DAC and other intangible amortization and certain benefit reserves.

The following is a summary of revenues for our segments and Corporate and Other activities for the periods indicated:

<u>(Amounts in millions)</u>	<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended</u> <u>September 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:				
International Mortgage Insurance segment:				
Canada	\$ 124	\$ 163	\$ 429	\$ 511
Australia	122	136	360	401
Other Countries	7	10	20	25
International Mortgage Insurance segment's revenues	253	309	809	937
U.S. Mortgage Insurance segment's revenues	161	165	497	476
U.S. Life Insurance segment:				
Long-term care insurance	949	879	2,769	2,607
Life insurance	455	510	1,419	1,494
Fixed annuities	221	277	683	791
U.S. Life Insurance segment's revenues	1,625	1,666	4,871	4,892
Runoff segment's revenues	53	53	209	215
Corporate and Other's revenues	8	(3)	6	(20)
Total revenues	<u>\$ 2,100</u>	<u>\$ 2,190</u>	<u>\$ 6,392</u>	<u>\$ 6,500</u>

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The following is a summary of net operating income (loss) for our segments and Corporate and Other activities and a reconciliation of net operating income (loss) for our segments and Corporate and Other activities to net loss available to Genworth Financial, Inc.'s common stockholders for the periods indicated:

(Amounts in millions)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
International Mortgage Insurance segment:				
Canada	\$ 38	\$ 46	\$ 115	\$ 134
Australia	21	48	80	167
Other Countries	(5)	(7)	(16)	(18)
International Mortgage Insurance segment's net operating income	54	87	179	283
U.S. Mortgage Insurance segment's net operating income (loss)	37	(2)	138	70
U.S. Life Insurance segment:				
Long-term care insurance	(10)	(361)	10	(309)
Life insurance	31	13	93	73
Fixed annuities	19	26	75	77
U.S. Life Insurance segment's net operating income (loss)	40	(322)	178	(159)
Runoff segment's net operating income (loss)	(4)	5	16	32
Corporate and Other's net operating loss	(63)	(91)	(174)	(209)
Net operating income (loss)	64	(323)	337	17
Net investment gains (losses), net	(22)	(10)	(19)	(1)
Goodwill impairment, net	—	(517)	—	(517)
Gains (losses) on early extinguishment of debt, net	(2)	—	(2)	(2)
Gains (losses) from life block transactions, net	(296)	—	(296)	—
Expenses related to restructuring, net	—	—	(2)	—
Tax impact from potential business portfolio changes	(7)	—	(7)	—
Income (loss) from continuing operations available to Genworth Financial, Inc.'s common stockholders	(263)	(850)	11	(503)
Net income attributable to noncontrolling interests	46	57	150	144
Income (loss) from continuing operations	(217)	(793)	161	(359)
Income (loss) from discontinued operations, net of taxes	(21)	6	(334)	19
Net loss	(238)	(787)	(173)	(340)
Less: net income attributable to noncontrolling interests	46	57	150	144
Net loss available to Genworth Financial, Inc.'s common stockholders	\$ (284)	\$ (844)	\$ (323)	\$ (484)

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The following is a summary of total assets for our segments and Corporate and Other activities as of the dates indicated:

(Amounts in millions)	September 30, 2015	December 31, 2014
Assets:		
International Mortgage Insurance	\$ 7,773	\$ 8,815
U.S. Mortgage Insurance	2,282	2,324
U.S. Life Insurance	82,345	82,906
Runoff	11,762	12,971
Corporate and Other	2,854	2,533
Segment assets from continuing operations	107,016	109,549
Assets held for sale related to discontinued operations	1,206	1,809
Total assets	\$ 108,222	\$ 111,358

(12) Commitments and Contingencies

(a) Litigation and Regulatory Matters

We face the risk of litigation and regulatory investigations and actions in the ordinary course of operating our businesses, including the risk of class action lawsuits. Our pending legal and regulatory actions include proceedings specific to us and others generally applicable to business practices in the industries in which we operate. In our insurance operations, we are, have been, or may become subject to class actions and individual suits alleging, among other things, issues relating to sales or underwriting practices, increases to in-force long-term care insurance premiums, payment of contingent or other sales commissions, claims payments and procedures, product design, product disclosure, administration, additional premium charges for premiums paid on a periodic basis, denial or delay of benefits, charging excessive or impermissible fees on products, recommending unsuitable products to customers, our pricing structures and business practices in our mortgage insurance businesses, such as captive reinsurance arrangements with lenders and contract underwriting services, violations of the Real Estate Settlement and Procedures Act of 1974 (“RESPA”) or related state anti-inducement laws, and mortgage insurance policy rescissions and curtailments, and breaching fiduciary or other duties to customers, including but not limited to breach of customer information. Plaintiffs in class action and other lawsuits against us may seek very large or indeterminate amounts which may remain unknown for substantial periods of time. In our investment-related operations, we are subject to litigation involving commercial disputes with counterparties. We are also subject to litigation arising out of our general business activities such as our contractual and employment relationships. In addition, we are also subject to various regulatory inquiries, such as information requests, subpoenas, books and record examinations and market conduct and financial examinations from state, federal and international regulators and other authorities. A substantial legal liability or a significant regulatory action against us could have an adverse effect on our business, financial condition and results of operations. Moreover, even if we ultimately prevail in the litigation, regulatory action or investigation, we could suffer significant reputational harm, which could have an adverse effect on our business, financial condition or results of operations.

In August 2014, Genworth Financial, Inc., its current chief executive officer and its then current chief financial officer were named in a putative class action lawsuit captioned *Manuel Esguerra v. Genworth Financial, Inc., et al*, in the United States District Court for the Southern District of New York. Plaintiff alleged securities law violations involving certain disclosures in 2013 and 2014 concerning Genworth’s long-term care

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insurance reserves. The lawsuit sought unspecified compensatory damages, costs and expenses, including counsel fees and expert fees. In October 2014, a putative class action lawsuit captioned *City of Pontiac General Employees' Retirement System v. Genworth Financial, Inc., et al.*, was filed in the United States District Court for the Eastern District of Virginia. This lawsuit names the same defendants, alleges the same securities law violations, seeks the same damages and covers the same class as the *Esguerra* lawsuit. Following the filing of the *City of Pontiac* lawsuit, the *Esguerra* lawsuit was voluntarily dismissed without prejudice allowing the *City of Pontiac* lawsuit to proceed. In the *City of Pontiac* lawsuit, the United States District Court for the Eastern District of Virginia appointed Her Majesty the Queen in Right of Alberta and Fresno County Employees' Retirement Association as lead plaintiffs and designated the caption of the action as *In re Genworth Financial, Inc. Securities Litigation*. On December 22, 2014, the lead plaintiffs filed an amended complaint. On February 5, 2015, we filed a motion to dismiss plaintiffs' amended complaint. On March 9, 2015, plaintiffs filed a memorandum of law in opposition to our motion to dismiss. On March 24, 2015, we filed our reply memorandum of law in further support of our motion to dismiss. The Court heard argument on our motion to dismiss the complaint on April 28, 2015. On May 1, 2015, the court denied the motion to dismiss. The Court has scheduled a trial for April 2016 and we expect to engage in mediation in the fourth quarter of 2015. If the mediation does not result in a settlement, we intend to vigorously defend the lawsuit. As of September 30, 2015, we accrued approximately \$16 million, representing the balance of our self-insured retention on our executive and organization liability insurance program above legal defense costs incurred. At this stage of the litigation, we are unable to determine whether any additional loss or range of losses relating to this litigation is reasonably possible.

In April 2014, Genworth Financial, Inc., its former chief executive officer and its then current chief financial officer were named in a putative class action lawsuit captioned *City of Hialeah Employees' Retirement System v. Genworth Financial, Inc., et al.*, in the United States District Court for the Southern District of New York. Plaintiff alleges securities law violations involving certain disclosures in 2012 concerning Genworth's Australian mortgage insurance business, including our plans for an initial public offering of the business. The lawsuit seeks unspecified damages, costs and attorneys' fees and such equitable/injunctive relief as the court may deem proper. The United States District Court for the Southern District of New York appointed City of Hialeah Employees' Retirement System and New Bedford Contributory Retirement System as lead plaintiffs and designated the caption of the action as *In re Genworth Financial, Inc. Securities Litigation*. On October 3, 2014, the lead plaintiffs filed an amended complaint. On December 2, 2014, we filed a motion to dismiss plaintiffs' amended complaint, which motion was fully briefed as of March 4, 2015. On March 25, 2015, the United States District Court for the Southern District of New York denied the motion but entered an order dismissing the amended complaint with leave to replead. On April 17, 2015, plaintiffs filed a second amended complaint. We filed a motion to dismiss the second amended complaint and on June 16, 2015, the court denied the motion to dismiss. We intend to vigorously defend this action.

In August 2015, Genworth Financial, Inc., its former chief executive officer, its current chief executive officer, its then current chief financial officer and the current members of its board of directors were named in two separate shareholder derivative suits, each of which was filed in the United States District Court for the Eastern District of Virginia, alleging breaches of fiduciary duties concerning Genworth's long-term care insurance reserves and concerning Genworth's Australian mortgage insurance business, including our plans for an initial public offering of the business. The cases are captioned, *Pinkoski v. McNerney, et al.* and *Salberg v. McNerney, et al.* The cases seek unspecified damages, costs, attorneys' fees and such equitable relief as the court may deem proper. Defendants have filed a motion to dismiss which has not yet been ruled upon. We intend to vigorously defend each of these actions.

In August 2015, Genworth Financial, Inc., its current chief executive officer, its then current chief financial officer and the current members of its board of directors were named in a shareholder derivative suit filed in the

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United States District Court for the Eastern District of Virginia, alleging breaches of fiduciary duties relating to Genworth's long-term care insurance reserves. The case is captioned *Cohen v. McInerney, et al.* The case seeks unspecified damages, costs, attorneys' fees and such equitable relief as the court may deem proper. Defendants have filed a motion to dismiss which has not yet been ruled upon. We intend to vigorously defend this action.

In September 2015, Genworth Financial, Inc., its former chief executive officer, its current chief executive officer, its then current chief financial officer and the current members of its board of directors were named in a shareholder derivative suit filed in the United States District Court for the Eastern District of Virginia, alleging breaches of fiduciary duties relating to Genworth's long-term care insurance reserves. The case is captioned *Int'l Union of Operating Engineers Local No. 478 Pension Fund v. McInerney, et al.* The case seeks unspecified damages, costs, attorneys' fees and such equitable relief as the court may deem proper. Defendants have filed a motion to dismiss which has not yet been ruled upon. We intend to vigorously defend this action. On September 28, 2015, the court ordered that all four shareholder derivative suits be consolidated for all purposes under the case name *Pinkoski v. McInerney, et al.* and directed plaintiffs in the consolidated derivative suit to file an amended consolidated complaint within 21 days of the court's order appointing lead counsel. The court consolidated the derivative suits with *In Re Genworth Financial Securities Litigation* for the purposes of discovery. On October 2, 2015, all of the plaintiffs in the consolidated shareholder derivative action filed a motion for voluntary dismissal without prejudice, stating they intend to refile in state court.

Beginning in December 2011 and continuing through January 2013, one of our U.S. mortgage insurance subsidiaries was named along with several other mortgage insurance participants and mortgage lenders as a defendant in twelve putative class action lawsuits alleging that certain "captive reinsurance arrangements" were in violation of RESPA. Those cases are captioned as follows: *Samp, et al. v. JPMorgan Chase Bank, N.A., et al.*, United States District Court for the Central District of California; *White, et al., v. The PNC Financial Services Group, Inc., et al.*, United States District Court for the Eastern District of Pennsylvania; *Menichino, et al. v. Citibank NA, et al.*, United States District Court for the Western District of Pennsylvania; *McCarn, et al. v. HSBC USA, Inc., et al.*, United States District Court for the Eastern District of California; *Manners, et al., v. Fifth Third Bank, et al.*, United States District Court for the Western District of Pennsylvania; *Riddle, et al. v. Bank of America Corporation, et al.*, United States District Court for the Eastern District of Pennsylvania; *Rulison et al. v. ABN AMRO Mortgage Group, Inc. et al.*, United States District Court for the Southern District of New York; *Barlee, et al. v. First Horizon National Corporation, et al.*, United States District Court for the Eastern District of Pennsylvania; *Cunningham, et al. v. M&T Bank Corp., et al.*, United States District Court for the Middle District of Pennsylvania; *Orange, et al. v. Wachovia Bank, N.A., et al.*, United States District Court for the Central District of California; *Hill et al. v. Flagstar Bank, FSB, et al.*, United States District Court for the Eastern District of Pennsylvania; and *Moriba Ba, et al. v. HSBC USA, Inc., et al.*, United States District Court for the Eastern District of Pennsylvania. Plaintiffs allege that "captive reinsurance arrangements" with providers of private mortgage insurance whereby a mortgage lender through captive reinsurance arrangements received a portion of the borrowers' private mortgage insurance premiums were in violation of RESPA and unjustly enriched the defendants for which plaintiffs seek declaratory relief and unspecified monetary damages, including restitution. The *McCarn* case was dismissed by the court with prejudice as to our subsidiary and certain other defendants on November 9, 2012. On July 3, 2012, the *Rulison* case was voluntarily dismissed by the plaintiffs. The *Barlee* case was dismissed by the court with prejudice as to our subsidiary and certain other defendants on February 27, 2013. The *Manners* case was dismissed by voluntary stipulation in March 2013. In early May 2013, the *Samp* and *Orange* cases were dismissed with prejudice as to our subsidiary. Plaintiffs appealed both of those dismissals, but have since withdrawn those appeals. The *White* case was dismissed by the court without prejudice on June 20, 2013, and on July 5, 2013 plaintiffs filed a second amended complaint again naming our U.S. mortgage insurance subsidiary as a defendant. The *Menichino* case was dismissed by the court without prejudice as to our subsidiary and certain other defendants on July 19, 2013. Plaintiffs filed a second amended complaint again naming our

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U.S. mortgage insurance subsidiary as a defendant and we moved to dismiss the second amended complaint. In the *Riddle, Hill, Ba* and *Cunningham* cases, the defendants' motions to dismiss were denied, but the court in the *Riddle, Hill* and *Cunningham* cases limited discovery to issues surrounding whether the case should be dismissed on statute of limitations grounds. In the *Hill* case, on December 17, 2013, we moved for summary judgment dismissing the complaint. The court granted our motion, and in July 2014, the *Hill* plaintiffs filed a notice of appeal with the Third Circuit Court of Appeals. In the *Riddle* case, in late November 2013, the United States District Court for the Eastern District of Pennsylvania granted our motion for summary judgment dismissing the case. Plaintiffs appealed the dismissal. In October 2014, the Third Circuit Court of Appeals upheld the dismissal of the *Riddle* action. On January 30, 2015, our U.S. mortgage insurance subsidiary and all named plaintiffs in the cases still pending as of such date entered into a settlement agreement that has resulted in the dismissal of all actions as to our subsidiary. This settlement had no impact on our financial position or results of operations.

In December 2009, one of our former non-insurance subsidiaries, one of the former subsidiary's officers and Genworth Financial, Inc. (now known as Genworth Holdings, Inc.) were named in a putative class action lawsuit captioned *Michael J. Goodman and Linda Brown v. Genworth Financial Wealth Management, Inc. et al*, in the United States District Court for the Eastern District of New York. Plaintiffs allege securities law and other violations involving the selection of mutual funds by our former subsidiary on behalf of certain of its Private Client Group clients. The lawsuit seeks unspecified monetary damages and other relief. In response to our motion to dismiss the complaint in its entirety, the court granted the motion to dismiss the state law fiduciary duty claim and denied the motion to dismiss the remaining federal claims. The District Court denied plaintiffs' motion to certify a class on April 15, 2014. On April 29, 2014, plaintiffs filed a motion with the Second Circuit Court of Appeals for permission to appeal the District Court's denial of their motion to certify a class, which we opposed. On July 9, 2014, the Second Circuit Court of Appeals denied plaintiffs' motion. Pursuant to a joint stipulation of the parties, on March 20, 2015, the United States District Court for the Eastern District of New York entered a final order dismissing with prejudice all claims against the defendants.

In April 2012, two of our U.S. mortgage insurance subsidiaries were named as respondents in two arbitrations, one brought by Bank of America, N.A. and one brought by Countrywide Home Loans, Inc. and Bank of America, N.A. as claimants. Claimants alleged breach of contract and breach of the covenant of good faith and fair dealing and sought a declaratory judgment relating to our denial, curtailment and rescission of mortgage insurance coverage. In June 2012, our U.S. mortgage insurance subsidiaries responded to the arbitration demands and asserted numerous counterclaims against the claimants. On December 31, 2013, the parties reached an agreement to resolve that portion of both arbitrations involving rescission practices, which settlement took effect in the second quarter of 2014. As a result, the arbitration demands and counterclaims related to that portion of both arbitrations involving rescission practices were dismissed in the third quarter of 2014. In October 2014, the parties executed a definitive settlement agreement to settle all remaining claims in the arbitrations. Implementation of the settlement to resolve the remaining claims was subject to the consent of the government-sponsored enterprises (the "GSEs"). The settlement provides that our U.S. mortgage insurance subsidiaries will remit a portion of the previously curtailed claim amounts to Bank of America, N.A. and will agree to certain limits on future curtailment activity for loans that are part of the settlement. The consents of the GSEs were obtained in January 2015, and therefore, the parties have moved to dismiss all remaining matters in the arbitration. We expect such dismissals to occur in the fourth quarter of 2015.

In addition to the negotiated settlement with Bank of America, N.A. discussed above, we have resolved a matter involving a second servicer's dispute with us on loss mitigation. This second dispute did not involve any formal legal proceeding, as is the case with other discussions we have had from time to time with other lenders and servicers over disputed loss mitigation activities. During the third quarter of 2014, we recorded an aggregate

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increase in our claim reserves for our U.S. mortgage insurance business of \$53 million principally to provide for the anticipated financial impact in connection with the settlement of the Bank of America, N.A. arbitration, as well as the second dispute, both of which were settled for amounts which in the aggregate were included within the claim reserve increase mentioned above.

In early 2006 as part of an industry-wide review, one of our U.S. mortgage insurance subsidiaries received an administrative subpoena from the Minnesota Department of Commerce, which has jurisdiction over insurance matters, with respect to our reinsurance arrangements, including captive reinsurance transactions with lender-affiliated reinsurers. Since 2006, the Minnesota Department of Commerce has periodically requested additional information. In June 2015, we entered into a Consent Order with the Minnesota Department of Commerce pursuant to the terms and conditions of which we agreed to pay a civil penalty of \$90,000 and agreed not to enter into any new captive reinsurance transactions from a lender-affiliated reinsurer or to obtain reinsurance under an existing captive reinsurance transaction from a lender-affiliated reinsurer on any new mortgage transactions after the date of the Consent Order for a period of 10 years. Pursuant to the Consent Order, we were discharged from all potential liability that has or might have been asserted by the Minnesota Department of Commerce based on our captive mortgage reinsurance policies or practices, to the extent such practices occurred prior to the date of the Consent Order. Inquiries from other regulatory bodies with respect to the same subject matter have been resolved or dormant for a number of years.

At this time, other than as noted above, we cannot determine or predict the ultimate outcome of any of the pending legal and regulatory matters specifically identified above or the likelihood of potential future legal and regulatory matters against us. Except as disclosed above, we also are not able to provide an estimate or range of reasonably possible losses related to these matters. Therefore, we cannot ensure that the current investigations and proceedings will not have a material adverse effect on our business, financial condition or results of operations. In addition, it is possible that related investigations and proceedings may be commenced in the future, and we could become subject to additional unrelated investigations and lawsuits. Increased regulatory scrutiny and any resulting investigations or proceedings could result in new legal precedents and industry-wide regulations or practices that could adversely affect our business, financial condition and results of operations.

(b) Commitments

As of September 30, 2015, we were committed to fund \$87 million in limited partnership investments, \$106 million in U.S. commercial mortgage loan investments and \$61 million in private placement investments.

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(13) Changes in Accumulated Other Comprehensive Income (Loss)

The following tables show the changes in accumulated other comprehensive income (loss), net of taxes, by component as of and for the periods indicated:

(Amounts in millions)	Net unrealized investment gains (losses) ⁽¹⁾	Derivatives qualifying as hedges ⁽²⁾	Foreign currency translation and other adjustments	Total
Balances as of July 1, 2015	\$ 1,628	\$ 1,913	\$ (232)	\$3,309
OCI before reclassifications	79	229	(302)	6
Amounts reclassified from (to) OCI	8	(12)	—	(4)
Current period OCI	87	217	(302)	2
Balances as of September 30, 2015 before noncontrolling interests	<u>1,715</u>	<u>2,130</u>	<u>(534)</u>	<u>3,311</u>
Less: change in OCI attributable to noncontrolling interests	(16)	—	(151)	(167)
Balances as of September 30, 2015	<u>\$ 1,731</u>	<u>\$ 2,130</u>	<u>\$ (383)</u>	<u>\$3,478</u>

(1) Net of adjustments to DAC, present value of future profits, sales inducements and benefit reserves. See note 4 for additional information.

(2) See note 5 for additional information.

(Amounts in millions)	Net unrealized investment gains (losses) ⁽¹⁾	Derivatives qualifying as hedges ⁽²⁾	Foreign currency translation and other adjustments	Total
Balances as of July 1, 2014	\$ 2,128	\$ 1,652	\$ 381	\$4,161
OCI before reclassifications	(63)	110	(379)	(332)
Amounts reclassified from (to) OCI	(4)	(9)	—	(13)
Current period OCI	(67)	101	(379)	(345)
Balances as of September 30, 2014 before noncontrolling interests	<u>2,061</u>	<u>1,753</u>	<u>2</u>	<u>3,816</u>
Less: change in OCI attributable to noncontrolling interests	(6)	—	(112)	(118)
Balances as of September 30, 2014	<u>\$ 2,067</u>	<u>\$ 1,753</u>	<u>\$ 114</u>	<u>\$3,934</u>

(1) Net of adjustments to DAC, present value of future profits, sales inducements and benefit reserves. See note 4 for additional information.

(2) See note 5 for additional information.

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(Amounts in millions)	Net unrealized investment gains (losses) ⁽¹⁾	Derivatives qualifying as hedges ⁽²⁾	Foreign currency translation and other adjustments	Total
Balances as of January 1, 2015	\$ 2,453	\$ 2,070	\$ (77)	\$ 4,446
OCI before reclassifications	(727)	99	(619)	(1,247)
Amounts reclassified from (to) OCI	(1)	(39)	—	(40)
Current period OCI	(728)	60	(619)	(1,287)
Balances as of September 30, 2015 before noncontrolling interests	<u>1,725</u>	<u>2,130</u>	<u>(696)</u>	<u>3,159</u>
Less: change in OCI attributable to noncontrolling interests	(6)	—	(313)	(319)
Balances as of September 30, 2015	<u>\$ 1,731</u>	<u>\$ 2,130</u>	<u>\$ (383)</u>	<u>\$ 3,478</u>

(1) Net of adjustments to DAC, present value of future profits, sales inducements and benefit reserves. See note 4 for additional information.

(2) See note 5 for additional information.

(Amounts in millions)	Net unrealized investment gains (losses) ⁽¹⁾	Derivatives qualifying as hedges ⁽²⁾	Foreign currency translation and other adjustments	Total
Balances as of January 1, 2014	\$ 926	\$ 1,319	\$ 297	\$2,542
OCI before reclassifications	1,186	457	(252)	1,391
Amounts reclassified from (to) OCI	(7)	(23)	—	(30)
Current period OCI	1,179	434	(252)	1,361
Balances as of September 30, 2014 before noncontrolling interests	<u>2,105</u>	<u>1,753</u>	<u>45</u>	<u>3,903</u>
Less: change in OCI attributable to noncontrolling interests	38	—	(69)	(31)
Balances as of September 30, 2014	<u>\$ 2,067</u>	<u>\$ 1,753</u>	<u>\$ 114</u>	<u>\$3,934</u>

(1) Net of adjustments to DAC, present value of future profits, sales inducements and benefit reserves. See note 4 for additional information.

(2) See note 5 for additional information.

The foreign currency translation and other adjustments balance included \$31 million and \$6 million, respectively, net of taxes of \$14 million and \$1 million, respectively, related to a net unrecognized postretirement benefit obligation as of September 30, 2015 and 2014. Amount also included taxes of \$(93) million and \$35 million, respectively, related to foreign currency translation adjustments as of September 30, 2015 and 2014.

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The following table shows reclassifications in (out) of accumulated other comprehensive income (loss), net of taxes, for the periods presented:

(Amounts in millions)	Amount reclassified from accumulated other comprehensive income (loss)				Affected line item in the consolidated statements of income
	Three months ended September 30,		Nine months ended September 30,		
	2015	2014	2015	2014	
Net unrealized investment (gains) losses:					
Unrealized (gains) losses on investments ⁽¹⁾	\$ 13	\$ (6)	\$ (1)	\$ (11)	Net investment (gains) losses
Provision for income taxes	(5)	2	—	4	Provision for income taxes
Total	\$ 8	\$ (4)	\$ (1)	\$ (7)	
Derivatives qualifying as hedges:					
Interest rate swaps hedging assets	\$ (22)	\$ (17)	\$ (61)	\$ (45)	Net investment income
Interest rate swaps hedging liabilities	—	—	—	(1)	Interest expense
Inflation indexed swaps	5	3	2	11	Net investment income
Forward bond purchase commitments	(1)	—	(1)	—	Net investment income
Provision for income taxes	6	5	21	12	Provision for income taxes
Total	\$ (12)	\$ (9)	\$ (39)	\$ (23)	

(1) Amounts exclude adjustments to DAC, present value of future profits, sales inducements and benefit reserves.

(14) Noncontrolling Interests

Canada

In April 2015, Genworth Canada announced acceptance by the Toronto Stock Exchange of its Notice of Intention to Make a Normal Course Issuer Bid (“NCIB”). Pursuant to the NCIB, Genworth Canada may purchase from time to time over the next 12 months, up to an aggregate of 4.7 million of its issued and outstanding common shares. In May 2015, Genworth Canada repurchased 1.4 million of its shares for CAD\$50 million through the NCIB. We participated in the NCIB in order to maintain our overall ownership percentage at 57.3% and received \$23 million in cash.

Australia

On May 15, 2014, Genworth Mortgage Insurance Australia Limited (“Genworth Australia”), a holding company for Genworth’s Australian mortgage insurance business, priced its initial public offering of 220,000,000 of its ordinary shares at an initial public offering price of AUD\$2.65 per ordinary share. The offering closed on May 21, 2014. Following completion of the offering, Genworth Financial beneficially owned 66.2% of the ordinary shares of Genworth Australia through subsidiaries. The net proceeds of the offering were used by Genworth Australia to repay a portion of certain intercompany funding arrangements with our

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subsidiaries and those funds were then distributed to Genworth Holdings. The gross proceeds of the offering (before payment of fees and expenses) were approximately \$541 million. Fees and expenses in connection with the offering were approximately \$27 million, including approximately \$3 million paid in 2013.

On May 11, 2015, we sold 92,300,000 of our shares in Genworth Australia at AUD\$3.08 per ordinary share. The offering closed on May 15, 2015. Following completion of the offering, Genworth Financial beneficially owns 52.0% of the ordinary shares of Genworth Australia through subsidiaries. The majority of the net proceeds of the offering were distributed to Genworth Holdings. The net proceeds of the offering were approximately \$226 million.

Consistent with applicable accounting guidance, changes in noncontrolling interests that do not result in a change of control are accounted for as equity transactions. When there are changes in noncontrolling interests of a subsidiary that do not result in a change of control, any difference between carrying value and fair value related to the change in ownership is recorded as an adjustment to stockholders' equity. A summary of these changes in ownership interests and the effect on stockholders' equity was as follows for the periods presented:

<u>(Amounts in millions)</u>	<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended</u> <u>September 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Net loss available to Genworth Financial, Inc.'s common stockholders	\$ (284)	\$ (844)	\$ (323)	\$ (484)
Transfers to noncontrolling interests:				
Decrease in Genworth Financial, Inc.'s additional paid-in capital for initial sale of Genworth Australia to noncontrolling interests	—	—	—	(145)
Decrease in Genworth Financial, Inc.'s additional paid-in capital for additional sale of Genworth Australia to noncontrolling interests	—	—	(65)	—
Net transfers to noncontrolling interests	—	—	(65)	(145)
Change from net loss available to Genworth Financial, Inc.'s common stockholders and transfers to noncontrolling interests	<u>\$ (284)</u>	<u>\$ (844)</u>	<u>\$ (388)</u>	<u>\$ (629)</u>

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(15) Sale of Businesses

(a) Lifestyle protection insurance business

As discussed in note 1, our lifestyle protection insurance business is reported as discontinued operations. The assets and liabilities held for sale related to discontinued operations for this business have been segregated in our consolidated balance sheets. The major assets and liability categories were as follows as of the dates indicated:

(Amounts in millions)	September 30, 2015	December 31, 2014
Assets		
Investments:		
Fixed maturity securities available-for-sale, at fair value	\$ 1,117	\$ 1,171
Equity securities available-for-sale, at fair value	6	7
Other invested assets	23	52
Total investments	1,146	1,230
Cash and cash equivalents	142	202
Accrued investment income	22	21
Deferred acquisition costs	168	193
Intangible assets	22	22
Reinsurance recoverable	36	32
Other assets	121	109
Assets held for sale related to discontinued operations	1,657	1,809
Fair value less pension settlement costs and closing costs impairment	(451)	—
Total assets held for sale related to discontinued operations	<u>\$ 1,206</u>	<u>\$ 1,809</u>
Liabilities		
Policyholder account balances	\$ 9	\$ 11
Liability for policy and contract claims	108	106
Unearned premiums	412	439
Other liabilities	296	322
Deferred tax liability	29	50
Liabilities held for sale related to discontinued operations	<u>\$ 854</u>	<u>\$ 928</u>

Deferred tax assets and liabilities that result in future taxable or deductible amounts to the remaining consolidated group have been reflected in assets or liabilities of continuing operations and not reflected in assets or liabilities held for sale related to discontinued operations.

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Summary operating results of discontinued operations were as follows for the periods indicated:

(Amounts in millions)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenues:				
Premiums	\$ 169	\$ 184	\$ 517	\$ 557
Net investment income	21	28	63	78
Net investment gains (losses)	—	1	—	2
Insurance and investment product fees and other	—	1	—	4
Total revenues	190	214	580	641
Benefits and expenses:				
Benefits and other changes in policy reserves	46	53	150	155
Acquisition and operating expenses, net of deferrals	105	113	323	340
Amortization of deferred acquisition costs and intangibles	21	30	71	90
Interest expense	7	10	22	34
Total benefits and expenses	179	206	566	619
Income (loss) before income taxes and loss on sale	11	8	14	22
Provision for income taxes	20	2	30	3
Income (loss) before loss on sale	(9)	6	(16)	19
Loss on sale, net of taxes	(12)	—	(318)	—
Income (loss) from discontinued operations, net of taxes	\$ (21)	\$ 6	\$ (334)	\$ 19

During the three months ended June 30, 2015, in connection with our plan to sell our lifestyle protection insurance business, we recorded an estimated after-tax loss of approximately \$306 million, net of taxes of \$152 million. In the third quarter, we increased our estimated after-tax loss by \$12 million. In accordance with the accounting guidance for groups of assets that are held-for-sale, we recorded an impairment of \$451 million to record the carrying value of the business at its fair value, which was based on estimated proceeds less \$124 million of pension settlement costs and closing costs.

On July 22, 2015, we entered into exclusive negotiations with AXA S.A. after receiving an irrevocable offer to sell our lifestyle protection insurance business. On September 17, 2015, we executed a purchase agreement following the completion of the French works council consultation process on September 15, 2015. The sale price is expected to be €475 million, or approximately \$490 million based on foreign exchange rates on September 30, 2015. The sale price and estimated net loss will be adjusted for changes in stockholders' equity and other items since December 31, 2014 and are subject to change between now and closing. Net proceeds from the transaction, net of pension settlement costs and closing costs, are estimated to be approximately \$400 million. The sale is expected to close by the end of 2015 and is subject to other customary conditions, including requisite regulatory approvals.

(b) European mortgage insurance business

On October 27, 2015, we announced that Genworth Mortgage Insurance Corporation, our wholly-owned indirect subsidiary, has entered into an agreement to sell our European mortgage insurance business to AmTrust Financial Services, Inc. that is expected to result in net proceeds of approximately \$55 million. As the held-for-sale criteria were satisfied during the fourth quarter of 2015, we expect to record an after-tax loss of

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approximately \$140 million related to the sale. Our European mortgage insurance business, previously included in Other Countries in our International Mortgage Insurance segment, will be reported as held for sale and its financial position will be separately reported in our 2015 Annual Report on Form 10-K. The transaction is expected to close in the first quarter of 2016 and is subject to customary conditions, including requisite regulatory approvals.

(16) Condensed Consolidating Financial Information

Genworth Financial provides a full and unconditional guarantee to the trustee of Genworth Holdings' outstanding senior notes and the holders of the senior notes, on an unsecured unsubordinated basis, of the full and punctual payment of the principal of, premium, if any and interest on, and all other amounts payable under, each outstanding series of senior notes, and the full and punctual payment of all other amounts payable by Genworth Holdings under the senior notes indenture in respect of such senior notes. Genworth Financial also provides a full and unconditional guarantee to the trustee of Genworth Holdings' outstanding subordinated notes and the holders of the subordinated notes, on an unsecured subordinated basis, of the full and punctual payment of the principal of, premium, if any and interest on, and all other amounts payable under, the outstanding subordinated notes, and the full and punctual payment of all other amounts payable by Genworth Holdings under the subordinated notes indenture in respect of the subordinated notes. Genworth Holdings is a direct, 100% owned subsidiary of Genworth Financial.

The following condensed consolidating financial information of Genworth Financial and its direct and indirect subsidiaries have been prepared pursuant to rules regarding the preparation of consolidating financial information of Regulation S-X. The condensed consolidating financial information has been prepared as if the guarantee had been in place during the periods presented herein.

The condensed consolidating financial information presents the condensed consolidating balance sheet information as of September 30, 2015 and December 31, 2014, the condensed consolidating income statement information and the condensed consolidating comprehensive income statement information for the three and nine months ended September 30, 2015 and 2014 and the condensed consolidating cash flow statement information for the nine months ended September 30, 2015 and 2014.

The condensed consolidating financial information reflects Genworth Financial ("Parent Guarantor"), Genworth Holdings ("Issuer") and each of Genworth Financial's other direct and indirect subsidiaries (the "All Other Subsidiaries") on a combined basis, none of which guarantee the senior notes or subordinated notes, as well as the eliminations necessary to present Genworth Financial's financial information on a consolidated basis and total consolidated amounts.

The accompanying condensed consolidating financial information is presented based on the equity method of accounting for all periods presented. Under this method, investments in subsidiaries are recorded at cost and adjusted for the subsidiaries' cumulative results of operations, capital contributions and distributions, and other changes in equity. Elimination entries include consolidating and eliminating entries for investments in subsidiaries and intercompany activity.

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The following table presents the condensed consolidating balance sheet information as of September 30, 2015:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Assets					
Investments:					
Fixed maturity securities available-for-sale, at fair value	\$ —	\$ 150	\$ 60,901	\$ (200)	\$ 60,851
Equity securities available-for-sale, at fair value	—	—	273	—	273
Commercial mortgage loans	—	—	6,133	—	6,133
Restricted commercial mortgage loans related to securitization entities	—	—	175	—	175
Policy loans	—	—	1,567	—	1,567
Other invested assets	—	124	2,652	(3)	2,773
Restricted other invested assets related to securitization entities, at fair value	—	—	412	—	412
Investments in subsidiaries	13,563	13,610	—	(27,173)	—
Total investments	13,563	13,884	72,113	(27,376)	72,184
Cash and cash equivalents	—	734	2,932	—	3,666
Accrued investment income	—	—	685	—	685
Deferred acquisition costs	—	—	4,437	—	4,437
Intangible assets	—	—	284	—	284
Goodwill	—	—	14	—	14
Reinsurance recoverable	—	—	17,276	—	17,276
Other assets	2	216	361	(2)	577
Intercompany notes receivable	2	291	399	(692)	—
Separate account assets	—	—	7,893	—	7,893
Assets held for sale related to discontinued operations	—	—	1,206	—	1,206
Total assets	\$ 13,567	\$ 15,125	\$ 107,600	\$ (28,070)	\$ 108,222
Liabilities and stockholders' equity					
Liabilities:					
Future policy benefits	\$ —	\$ —	\$ 36,472	\$ —	\$ 36,472
Policyholder account balances	—	—	26,000	—	26,000
Liability for policy and contract claims	—	—	8,065	—	8,065
Unearned premiums	—	—	3,340	—	3,340
Other liabilities	5	260	2,982	(6)	3,241
Intercompany notes payable	—	602	290	(892)	—
Borrowings related to securitization entities	—	—	188	—	188
Non-recourse funding obligations	—	—	1,951	—	1,951
Long-term borrowings	—	4,100	501	—	4,601
Deferred tax liability	(23)	(1,077)	1,301	—	201
Separate account liabilities	—	—	7,893	—	7,893
Liabilities held for sale related to discontinued operations	6	—	848	—	854
Total liabilities	(12)	3,885	89,831	(898)	92,806
Stockholders' equity:					
Common stock	1	—	—	—	1
Additional paid-in capital	11,944	9,098	16,956	(26,054)	11,944
Accumulated other comprehensive income (loss)	3,478	3,560	3,498	(7,058)	3,478
Retained earnings	856	(1,418)	(4,827)	6,245	856
Treasury stock, at cost	(2,700)	—	—	—	(2,700)
Total Genworth Financial, Inc.'s stockholders' equity	13,579	11,240	15,627	(26,867)	13,579
Noncontrolling interests	—	—	2,142	(305)	1,837
Total stockholders' equity	13,579	11,240	17,769	(27,172)	15,416
Total liabilities and stockholders' equity	\$ 13,567	\$ 15,125	\$ 107,600	\$ (28,070)	\$ 108,222

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The following table presents the condensed consolidating balance sheet information as of December 31, 2014:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Assets					
Investments:					
Fixed maturity securities available-for-sale, at fair value	\$ —	\$ 150	\$ 61,326	\$ (200)	\$ 61,276
Equity securities available-for-sale, at fair value	—	—	275	—	275
Commercial mortgage loans	—	—	6,100	—	6,100
Restricted commercial mortgage loans related to securitization entities	—	—	201	—	201
Policy loans	—	—	1,501	—	1,501
Other invested assets	—	14	2,235	(5)	2,244
Restricted other invested assets related to securitization entities, at fair value	—	—	411	—	411
Investments in subsidiaries	14,895	15,003	—	(29,898)	—
Total investments	14,895	15,167	72,049	(30,103)	72,008
Cash and cash equivalents	—	953	3,763	—	4,716
Accrued investment income	—	—	668	(4)	664
Deferred acquisition costs	—	—	4,849	—	4,849
Intangible assets	—	—	250	—	250
Goodwill	—	—	16	—	16
Reinsurance recoverable	—	—	17,314	—	17,314
Other assets	2	207	316	(1)	524
Intercompany notes receivable	9	267	395	(671)	—
Separate account assets	—	—	9,208	—	9,208
Assets held for sale related to discontinued operations	—	—	1,809	—	1,809
Total assets	\$ 14,906	\$ 16,594	\$ 110,637	\$ (30,779)	\$ 111,358
Liabilities and stockholders' equity					
Liabilities:					
Future policy benefits	\$ —	\$ —	\$ 35,915	\$ —	\$ 35,915
Policyholder account balances	—	—	26,032	—	26,032
Liability for policy and contract claims	—	—	7,937	—	7,937
Unearned premiums	—	—	3,547	—	3,547
Other liabilities	3	251	3,039	(11)	3,282
Intercompany notes payable	—	604	267	(871)	—
Borrowings related to securitization entities	—	—	219	—	219
Non-recourse funding obligations	—	—	1,996	—	1,996
Long-term borrowings	—	4,151	488	—	4,639
Deferred tax liability	(20)	(970)	1,848	—	858
Separate account liabilities	—	—	9,208	—	9,208
Liabilities held for sale related to discontinued operations	—	—	928	—	928
Total liabilities	(17)	4,036	91,424	(882)	94,561
Stockholders' equity:					
Common stock	1	—	—	—	1
Additional paid-in capital	11,997	9,162	17,080	(26,242)	11,997
Accumulated other comprehensive income (loss)	4,446	4,449	4,459	(8,908)	4,446
Retained earnings	1,179	(1,053)	(4,205)	5,258	1,179
Treasury stock, at cost	(2,700)	—	—	—	(2,700)
Total Genworth Financial, Inc.'s stockholders' equity	14,923	12,558	17,334	(29,892)	14,923
Noncontrolling interests	—	—	1,879	(5)	1,874
Total stockholders' equity	14,923	12,558	19,213	(29,897)	16,797
Total liabilities and stockholders' equity	\$ 14,906	\$ 16,594	\$ 110,637	\$ (30,779)	\$ 111,358

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The following table presents the condensed consolidating income statement information for the three months ended September 30, 2015:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Revenues:					
Premiums	\$ —	\$ —	\$ 1,145	\$ —	\$ 1,145
Net investment income	(1)	—	788	(4)	783
Net investment gains (losses)	—	21	(72)	—	(51)
Insurance and investment product fees and other	—	(10)	233	—	223
Total revenues	<u>(1)</u>	<u>11</u>	<u>2,094</u>	<u>(4)</u>	<u>2,100</u>
Benefits and expenses:					
Benefits and other changes in policy reserves	—	—	1,290	—	1,290
Interest credited	—	—	179	—	179
Acquisition and operating expenses, net of deferrals	9	1	304	—	314
Amortization of deferred acquisition costs and intangibles	—	—	563	—	563
Interest expense	—	77	32	(4)	105
Total benefits and expenses	<u>9</u>	<u>78</u>	<u>2,368</u>	<u>(4)</u>	<u>2,451</u>
Income (loss) from continuing operations before income taxes and equity in income of subsidiaries	(10)	(67)	(274)	—	(351)
Provision (benefit) for income taxes	(40)	21	(115)	—	(134)
Equity in income (loss) of subsidiaries	(314)	(270)	—	584	—
Income (loss) from continuing operations	(284)	(358)	(159)	584	(217)
Income (loss) from discontinued operations, net of taxes	—	—	(21)	—	(21)
Net income (loss)	(284)	(358)	(180)	584	(238)
Less: net income attributable to noncontrolling interests	—	—	46	—	46
Net income (loss) available to Genworth Financial, Inc.'s common stockholders	<u>\$ (284)</u>	<u>\$ (358)</u>	<u>\$ (226)</u>	<u>\$ 584</u>	<u>\$ (284)</u>

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The following table presents the condensed consolidating income statement information for the three months ended September 30, 2014:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Revenues:					
Premiums	\$ —	\$ —	\$ 1,210	\$ —	\$ 1,210
Net investment income	(1)	—	783	(4)	778
Net investment gains (losses)	—	9	(36)	—	(27)
Insurance and investment product fees and other	—	—	229	—	229
Total revenues	<u>(1)</u>	<u>9</u>	<u>2,186</u>	<u>(4)</u>	<u>2,190</u>
Benefits and expenses:					
Benefits and other changes in policy reserves	—	—	1,934	—	1,934
Interest credited	—	—	185	—	185
Acquisition and operating expenses, net of deferrals	5	—	279	—	284
Amortization of deferred acquisition costs and intangibles	—	—	113	—	113
Goodwill impairment	—	—	550	—	550
Interest expense	—	77	31	(4)	104
Total benefits and expenses	<u>5</u>	<u>77</u>	<u>3,092</u>	<u>(4)</u>	<u>3,170</u>
Income (loss) from continuing operations before income taxes and equity in income (loss) of subsidiaries	(6)	(68)	(906)	—	(980)
Provision (benefit) for income taxes	8	(16)	(179)	—	(187)
Equity in income (loss) of subsidiaries	(830)	(785)	—	1,615	—
Income (loss) from continuing operations	(844)	(837)	(727)	1,615	(793)
Income (loss) from discontinued operations, net of taxes	—	—	6	—	6
Net income (loss)	(844)	(837)	(721)	1,615	(787)
Less: net income attributable to noncontrolling interests	—	—	57	—	57
Net income (loss) available to Genworth Financial, Inc.'s common stockholders	<u>\$ (844)</u>	<u>\$ (837)</u>	<u>\$ (778)</u>	<u>\$ 1,615</u>	<u>\$ (844)</u>

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The following table presents the condensed consolidating income statement information for the nine months ended September 30, 2015:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Revenues:					
Premiums	\$ —	\$ —	\$ 3,422	\$ —	\$ 3,422
Net investment income	(2)	1	2,369	(11)	2,357
Net investment gains (losses)	—	37	(96)	—	(59)
Insurance and investment product fees and other	—	(30)	703	(1)	672
Total revenues	<u>(2)</u>	<u>8</u>	<u>6,398</u>	<u>(12)</u>	<u>6,392</u>
Benefits and expenses:					
Benefits and other changes in policy reserves	—	—	3,714	—	3,714
Interest credited	—	—	540	—	540
Acquisition and operating expenses, net of deferrals	23	2	851	—	876
Amortization of deferred acquisition costs and intangibles	—	—	759	—	759
Interest expense	—	231	96	(12)	315
Total benefits and expenses	<u>23</u>	<u>233</u>	<u>5,960</u>	<u>(12)</u>	<u>6,204</u>
Income (loss) from continuing operations before income taxes and equity in income of subsidiaries	(25)	(225)	438	—	188
Provision (benefit) for income taxes	(7)	(81)	115	—	27
Equity in income (loss) of subsidiaries	(299)	(319)	—	618	—
Income (loss) from continuing operations	(317)	(463)	323	618	161
Income (loss) from discontinued operations, net of taxes	(6)	—	(328)	—	(334)
Net income (loss)	(323)	(463)	(5)	618	(173)
Less: net income attributable to noncontrolling interests	—	—	150	—	150
Net income (loss) available to Genworth Financial, Inc.'s common stockholders	<u>\$ (323)</u>	<u>\$ (463)</u>	<u>\$ (155)</u>	<u>\$ 618</u>	<u>\$ (323)</u>

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The following table presents the condensed consolidating income statement information for the nine months ended September 30, 2014:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Revenues:					
Premiums	\$ —	\$ —	\$ 3,486	\$ —	\$ 3,486
Net investment income	(1)	—	2,357	(11)	2,345
Net investment gains (losses)	—	—	(11)	—	(11)
Insurance and investment product fees and other	—	(3)	684	(1)	680
Total revenues	<u>(1)</u>	<u>(3)</u>	<u>6,516</u>	<u>(12)</u>	<u>6,500</u>
Benefits and expenses:					
Benefits and other changes in policy reserves	—	—	4,282	—	4,282
Interest credited	—	—	552	—	552
Acquisition and operating expenses, net of deferrals	15	—	824	—	839
Amortization of deferred acquisition costs and intangibles	—	—	325	—	325
Goodwill impairment	—	—	550	—	550
Interest expense	—	244	95	(12)	327
Total benefits and expenses	<u>15</u>	<u>244</u>	<u>6,628</u>	<u>(12)</u>	<u>6,875</u>
Income (loss) from continuing operations before income taxes and equity in income of subsidiaries	(16)	(247)	(112)	—	(375)
Provision (benefit) for income taxes	13	(80)	55	(4)	(16)
Equity in income (loss) of subsidiaries	(455)	(389)	—	844	—
Income (loss) from continuing operations	(484)	(556)	(167)	848	(359)
Income (loss) from discontinued operations, net of taxes	—	—	19	—	19
Net income (loss)	(484)	(556)	(148)	848	(340)
Less: net income attributable to noncontrolling interests	—	—	144	—	144
Net income (loss) available to Genworth Financial, Inc.'s common stockholders	<u>\$ (484)</u>	<u>\$ (556)</u>	<u>\$ (292)</u>	<u>\$ 848</u>	<u>\$ (484)</u>

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GENWORTH FINANCIAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the condensed consolidating comprehensive income statement information for the three months ended September 30, 2015:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$ (284)	\$(358)	\$ (180)	\$ 584	\$ (238)
Other comprehensive income (loss), net of taxes:					
Net unrealized gains (losses) on securities not other-than-temporarily impaired	103	111	85	(212)	87
Net unrealized gains (losses) on other-than-temporarily impaired securities	—	(1)	—	1	—
Derivatives qualifying as hedges	217	217	231	(448)	217
Foreign currency translation and other adjustments	(151)	(127)	(302)	278	(302)
Total other comprehensive income (loss)	<u>169</u>	<u>200</u>	<u>14</u>	<u>(381)</u>	<u>2</u>
Total comprehensive income (loss)	(115)	(158)	(166)	203	(236)
Less: comprehensive income attributable to noncontrolling interests	—	—	(121)	—	(121)
Total comprehensive income (loss) available to Genworth Financial, Inc.'s common stockholders	<u>\$ (115)</u>	<u>\$(158)</u>	<u>\$ (45)</u>	<u>\$ 203</u>	<u>\$ (115)</u>

The following table presents the condensed consolidating comprehensive income statement information for the three months ended September 30, 2014:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$ (844)	\$ (837)	\$ (721)	\$ 1,615	\$ (787)
Other comprehensive income (loss), net of taxes:					
Net unrealized gains (losses) on securities not other-than-temporarily impaired	(62)	(60)	(67)	121	(68)
Net unrealized gains (losses) on other-than-temporarily impaired securities	1	2	1	(3)	1
Derivatives qualifying as hedges	101	101	105	(206)	101
Foreign currency translation and other adjustments	(267)	(229)	(379)	496	(379)
Total other comprehensive income (loss)	<u>(227)</u>	<u>(186)</u>	<u>(340)</u>	<u>408</u>	<u>(345)</u>
Total comprehensive income (loss)	(1,071)	(1,023)	(1,061)	2,023	(1,132)
Less: comprehensive income attributable to noncontrolling interests	—	—	(61)	—	(61)
Total comprehensive income (loss) available to Genworth Financial, Inc.'s common stockholders	<u>\$ (1,071)</u>	<u>\$(1,023)</u>	<u>\$ (1,000)</u>	<u>\$ 2,023</u>	<u>\$ (1,071)</u>

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GENWORTH FINANCIAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the condensed consolidating comprehensive income statement information for the nine months ended September 30, 2015:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$ (323)	\$ (463)	\$ (5)	\$ 618	\$ (173)
Other comprehensive income (loss), net of taxes:					
Net unrealized gains (losses) on securities not other-than-temporarily impaired	(708)	(696)	(729)	1,405	(728)
Net unrealized gains (losses) on other-than-temporarily impaired securities	—	(1)	—	1	—
Derivatives qualifying as hedges	60	60	68	(128)	60
Foreign currency translation and other adjustments	(344)	(276)	(619)	620	(619)
Total other comprehensive income (loss)	(992)	(913)	(1,280)	1,898	(1,287)
Total comprehensive income (loss)	(1,315)	(1,376)	(1,285)	2,516	(1,460)
Less: comprehensive income attributable to noncontrolling interests	—	—	(145)	—	(145)
Total comprehensive income (loss) available to Genworth Financial, Inc.'s common stockholders	<u>\$ (1,315)</u>	<u>\$ (1,376)</u>	<u>\$ (1,140)</u>	<u>\$ 2,516</u>	<u>\$ (1,315)</u>

The following table presents the condensed consolidating comprehensive income statement information for the nine months ended September 30, 2014:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$ (484)	\$ (556)	\$ (148)	\$ 848	\$ (340)
Other comprehensive income (loss), net of taxes:					
Net unrealized gains (losses) on securities not other-than-temporarily impaired	1,155	1,129	1,171	(2,284)	1,171
Net unrealized gains (losses) on other-than-temporarily impaired securities	8	9	8	(17)	8
Derivatives qualifying as hedges	434	434	460	(894)	434
Foreign currency translation and other adjustments	(148)	(109)	(252)	257	(252)
Total other comprehensive income (loss)	1,449	1,463	1,387	(2,938)	1,361
Total comprehensive income (loss)	965	907	1,239	(2,090)	1,021
Less: comprehensive income attributable to noncontrolling interests	—	—	56	—	56
Total comprehensive income (loss) available to Genworth Financial, Inc.'s common stockholders	<u>\$ 965</u>	<u>\$ 907</u>	<u>\$ 1,183</u>	<u>\$ (2,090)</u>	<u>\$ 965</u>

GENWORTH FINANCIAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the condensed consolidating cash flow statement information for the nine months ended September 30, 2015:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	\$ (323)	\$ (463)	\$ (5)	\$ 618	\$ (173)
Less loss from discontinued operations, net of taxes	6	—	328	—	334
Adjustments to reconcile net income (loss) to net cash from operating activities:					
Equity in (income) loss from subsidiaries	299	319	—	(618)	—
Dividends from subsidiaries	—	454	(454)	—	—
Amortization of fixed maturity securities discounts and premiums and limited partnerships	—	—	(80)	—	(80)
Net investment losses (gains)	—	(37)	96	—	59
Charges assessed to policyholders	—	—	(586)	—	(586)
Acquisition costs deferred	—	—	(226)	—	(226)
Amortization of deferred acquisition costs and intangibles	—	—	759	—	759
Deferred income taxes	(2)	(102)	(13)	—	(117)
Net increase (decrease) in trading securities, held-for-sale investments and derivative instruments	—	27	(274)	—	(247)
Stock-based compensation expense	16	—	(2)	—	14
Change in certain assets and liabilities:					
Accrued investment income and other assets	—	3	(133)	(3)	(133)
Insurance reserves	—	—	1,270	—	1,270
Current tax liabilities	(1)	13	(88)	5	(71)
Other liabilities, policy and contract claims and other policy-related balances	—	(1)	353	—	352
Cash from operating activities—discontinued operations	—	—	3	—	3
Net cash from operating activities	(5)	213	948	2	1,158
Cash flows from investing activities:					
Proceeds from maturities and repayments of investments:					
Fixed maturity securities	—	1	3,388	—	3,389
Commercial mortgage loans	—	—	640	—	640
Restricted commercial mortgage loans related to securitization entities	—	—	27	—	27
Proceeds from sales of investments:					
Fixed maturity and equity securities	—	—	1,333	—	1,333
Purchases and originations of investments:					
Fixed maturity and equity securities	—	—	(6,836)	—	(6,836)
Commercial mortgage loans	—	—	(678)	—	(678)
Other invested assets, net	—	(100)	63	(2)	(39)
Policy loans, net	—	—	23	—	23
Intercompany notes receivable	7	(24)	(4)	21	—
Capital contributions to subsidiaries	—	(25)	25	—	—
Cash transferred for purchase of a subsidiary	—	(202)	202	—	—
Cash from investing activities—discontinued operations	—	—	(22)	—	(22)
Net cash from investing activities	7	(350)	(1,839)	19	(2,163)
Cash flows from financing activities:					
Deposits to universal life and investment contracts	—	—	1,693	—	1,693
Withdrawals from universal life and investment contracts	—	—	(1,677)	—	(1,677)
Redemption of non-recourse funding obligations	—	—	(45)	—	(45)
Proceeds from the issuance of long-term debt	—	—	150	—	150
Repayment and repurchase of long-term debt	—	(50)	(70)	—	(120)
Repayment of borrowings related to securitization entities	—	—	(26)	—	(26)
Proceeds from sale of subsidiary shares to noncontrolling interests	—	—	226	—	226
Repurchase of subsidiary shares	—	—	(17)	—	(17)
Dividends paid to noncontrolling interests	—	—	(145)	—	(145)
Proceeds from intercompany notes payable	—	(2)	23	(21)	—
Other, net	(2)	(30)	7	—	(25)
Cash from financing activities—discontinued operations	—	—	(33)	—	(33)
Net cash from financing activities	(2)	(82)	86	(21)	(19)
Effect of exchange rate changes on cash and cash equivalents					
Net change in cash and cash equivalents	—	(219)	(891)	—	(1,110)
Cash and cash equivalents at beginning of period	—	953	3,965	—	4,918
Cash and cash equivalents at end of period	—	734	3,074	—	3,808
Less cash and cash equivalents of discontinued operations at end of period	—	—	142	—	142
Cash and cash equivalents of continuing operations at end of period	\$ —	\$ 734	\$ 2,932	\$ —	\$ 3,666

GENWORTH FINANCIAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The following table presents the condensed consolidating cash flow statement information for the nine months ended September 30, 2014:

(Amounts in millions)	Parent Guarantor	Issuer	All Other Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	\$ (484)	\$ (556)	\$ (148)	\$ 848	\$ (340)
Less income from discontinued operations, net of taxes	—	—	(19)	—	(19)
Adjustments to reconcile net income (loss) to net cash from operating activities:					
Equity in (income) loss from subsidiaries	455	389	—	(844)	—
Dividends from subsidiaries	—	563	(563)	—	—
Amortization of fixed maturity securities discounts and premiums and limited partnerships	—	—	(97)	—	(97)
Net investment losses (gains)	—	—	11	—	11
Charges assessed to policyholders	—	—	(580)	—	(580)
Acquisition costs deferred	—	—	(282)	—	(282)
Amortization of deferred acquisition costs and intangibles	—	—	325	—	325
Goodwill impairment	—	—	550	—	550
Deferred income taxes	25	(137)	(70)	(4)	(186)
Net increase (decrease) in trading securities, held-for-sale investments and derivative instruments	—	—	110	—	110
Stock-based compensation expense	15	—	4	—	19
Change in certain assets and liabilities:					
Accrued investment income and other assets	(2)	44	(213)	(4)	(175)
Insurance reserves	—	—	1,260	—	1,260
Current tax liabilities	(16)	(37)	(132)	—	(185)
Other liabilities, policy and contract claims and other policy-related balances	12	51	665	3	731
Cash from operating activities—discontinued operations	—	—	(2)	—	(2)
Net cash from operating activities	<u>5</u>	<u>317</u>	<u>819</u>	<u>(1)</u>	<u>1,140</u>
Cash flows from investing activities:					
Proceeds from maturities and repayments of investments:					
Fixed maturity securities	—	—	3,638	—	3,638
Commercial mortgage loans	—	—	528	—	528
Restricted commercial mortgage loans related to securitization entities	—	—	24	—	24
Proceeds from sales of investments:					
Fixed maturity and equity securities	—	—	1,651	—	1,651
Purchases and originations of investments:					
Fixed maturity and equity securities	—	—	(7,202)	—	(7,202)
Commercial mortgage loans	—	—	(709)	—	(709)
Other invested assets, net	—	—	103	1	104
Policy loans, net	—	—	11	—	11
Intercompany notes receivable	8	(15)	9	(2)	—
Capital contributions to subsidiaries	(12)	—	12	—	—
Cash from investing activities—discontinued operations	—	—	(48)	—	(48)
Net cash from investing activities	<u>(4)</u>	<u>(15)</u>	<u>(1,983)</u>	<u>(1)</u>	<u>(2,003)</u>
Cash flows from financing activities:					
Deposits to universal life and investment contracts	—	—	2,201	—	2,201
Withdrawals from universal life and investment contracts	—	—	(1,950)	—	(1,950)
Redemption of non-recourse funding obligations	—	—	(28)	—	(28)
Proceeds from the issuance of long-term debt	—	—	144	—	144
Repayment and repurchase of long-term debt	—	(485)	(136)	—	(621)
Repayment of borrowings related to securitization entities	—	—	(24)	—	(24)
Proceeds from sale of subsidiary shares to noncontrolling interests	—	—	517	—	517
Dividends paid to noncontrolling interests	—	—	(46)	—	(46)
Proceeds from intercompany notes payable	1	(17)	14	2	—
Other, net	(2)	(31)	14	—	(19)
Cash from financing activities—discontinued operations	—	—	(25)	—	(25)
Net cash from financing activities	<u>(1)</u>	<u>(533)</u>	<u>681</u>	<u>2</u>	<u>149</u>
Effect of exchange rate changes on cash and cash equivalents					
Net change in cash and cash equivalents	—	(231)	(506)	—	(737)
Cash and cash equivalents at beginning of period	—	1,219	2,995	—	4,214
Cash and cash equivalents at end of period	—	988	2,489	—	3,477
Less cash and cash equivalents of discontinued operations at end of period	—	—	193	—	193
Cash and cash equivalents from continuing operations at end of period	<u>\$ —</u>	<u>\$ 988</u>	<u>\$ 2,296</u>	<u>\$ —</u>	<u>\$ 3,284</u>

GENWORTH FINANCIAL, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Our insurance company subsidiaries are restricted by state and foreign laws and regulations as to the amount of dividends they may pay to their parent without regulatory approval in any year, the purpose of which is to protect affected insurance policyholders and contractholders, not stockholders. Any dividends in excess of limits are deemed “extraordinary” and require approval. Based on estimated statutory results as of December 31, 2014, in accordance with applicable dividend restrictions, our subsidiaries could pay dividends of approximately \$0.5 billion to us in 2015 without obtaining regulatory approval, and the remaining net assets are considered restricted. While the \$0.5 billion is unrestricted, we do not expect our insurance subsidiaries to pay dividends to us in 2015 at this level as they retain capital for growth and to meet capital requirements and desired thresholds. As of September 30, 2015, Genworth Financial’s and Genworth Holdings’ subsidiaries had restricted net assets of \$13.1 billion and \$13.2 billion, respectively.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included herein and with our 2014 Annual Report on Form 10-K.

Cautionary note regarding forward-looking statements

This report contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by words such as "expects," "intends," "anticipates," "plans," "believes," "seeks," "estimates," "will" or words of similar meaning and include, but are not limited to, statements regarding the outlook for our future business and financial performance. Forward-looking statements are based on management's current expectations and assumptions, which are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Actual outcomes and results may differ materially due to global political, economic, business, competitive, market, regulatory and other factors and risks, including, but not limited to, the following:

- *Risks relating to all of our businesses, including:*
 - (i) inability to successfully develop and execute strategic plans to effectively address our current business challenges (including with respect to our long-term care insurance business, ratings and capital), including as a result of our inability to complete the planned sale of our lifestyle protection insurance business, certain blocks of our term life insurance or our European mortgage insurance business at all or on the terms anticipated and failure to attract buyers for any other businesses or other assets we may seek to sell, or securities we may seek to issue, in each case, in a timely manner on anticipated terms; inability to generate required capital; failure to obtain any required regulatory, stockholder and/or noteholder approvals or consents, or our challenges changing or being more costly or difficult to successfully address than currently anticipated or the benefits achieved being less than anticipated; inability to successfully develop more targeted product features and benefits, strengthen relationships with producers or achieve anticipated cost-savings in a timely manner; adverse tax or accounting charges; (ii) inability to increase the capital needed in our businesses in a timely manner and on anticipated terms, including through improved business performance, reinsurance or similar transactions, asset sales, securities offerings or otherwise, in each case as and when required; (iii) inadequate reserves and the need to increase reserves, including as a result of any changes we may make to our assumptions, methodologies or otherwise in connection with periodic or other reviews (including as a result of our actual experience differing significantly from our assumptions); (iv) ineffective or inadequate risk management in identifying, controlling or mitigating risks; weaknesses in, or ineffective, internal controls; (v) recent or future adverse rating agency actions, including with respect to rating downgrades or potential downgrades, being placed on negative outlook or being put on review for potential downgrade, all of which could have adverse implications for us, including with respect to key business relationships, product offerings, business results of operations, financial condition and capital needs, strategic plans, collateral obligations and availability and terms of hedging, reinsurance and borrowings; (vi) inability to retain, attract and motivate qualified employees and independent sales representatives, particularly in the light of our recent business challenges; (vii) adverse change in regulatory requirements, including risk-based capital; (viii) dependence on dividends and other distributions from our subsidiaries (particularly our international subsidiaries) and the inability of any subsidiaries to pay dividends or make other distributions to us, including as a result of the performance of our subsidiaries and insurance, regulatory or corporate law restrictions (including the unwillingness or inability of the subsidiary that indirectly owns most of the interests in our Australian and Canadian mortgage insurance businesses to pay the dividends that it receives from those businesses as a result of the impact on its financial condition of its capital support for certain long-term care insurance related reinsurance arrangements); (ix) inability to borrow under our credit facility; (x) downturns and volatility in global economies and equity and credit markets; (xi) interest rates and changes in rates; (xii) availability, affordability and

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adequacy of reinsurance to protect us against losses; (xiii) defaults by counterparties to reinsurance arrangements or derivative instruments; (xiv) changes in valuation of fixed maturity, equity and trading securities; (xv) defaults or other events impacting the value of our fixed maturity securities portfolio; (xvi) defaults on our commercial mortgage loans or the mortgage loans underlying our investments in commercial mortgage-backed securities and volatility in performance; (xvii) competition; (xviii) reliance on, and loss of, key distribution relationships; (xix) extensive regulation of our businesses and changes in applicable laws and regulations; (xx) litigation and regulatory investigations or other actions (including the two shareholder putative class action lawsuits alleging securities law violations filed against us in 2014); (xxi) the material weakness in our internal control over financial reporting; (xxii) failure or any compromise of the security of our computer systems, disaster recovery systems and business continuity plans and failures to safeguard, or breaches of, our confidential information; (xxiii) occurrence of natural or man-made disasters or a pandemic; (xxiv) impact of additional regulations pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”); (xxv) changes in accounting and reporting standards; (xxvi) impairments of or valuation allowances against our deferred tax assets; (xxvii) accelerated amortization of deferred acquisition costs (“DAC”) and present value of future profits (“PVFP”) (including as a result of any changes we may make to our assumptions, methodologies or otherwise in connection with periodic or other reviews); (xxviii) political and economic instability or changes in government policies; and (xxix) fluctuations in foreign currency exchange rates and international securities markets;

- *Risks relating primarily to our mortgage insurance businesses, including:*

(i) deterioration in economic conditions or a decline in home prices that adversely affect our loss experience in mortgage insurance; (ii) premiums for the significant portion of our international mortgage insurance risk in-force with high loan-to-value ratios may not be sufficient to compensate us for the greater risks associated with those policies; (iii) competition in our international and U.S. mortgage insurance businesses, including from government and government-owned and government-sponsored enterprises (“GSEs”) offering mortgage insurance; (iv) changes in regulations adversely affecting our international operations; (v) inability to meet or maintain the private mortgage insurer eligibility requirements (“PMIERS”) on the contemplated timetable with the contemplated funding; (vi) inability of our U.S. mortgage insurance subsidiaries to meet minimum statutory capital requirements and hazardous financial condition standards; (vii) the influence of Federal National Mortgage Association (“Fannie Mae”), Federal Home Loan Mortgage Corporation (“Freddie Mac”) and a small number of large mortgage lenders on the U.S. mortgage insurance market and adverse changes to the role or structure of Fannie Mae and Freddie Mac; (viii) increases in U.S. mortgage insurance default rates; (ix) inability to realize anticipated benefits of our rescissions, curtailments, loan modifications or other similar programs in our U.S. mortgage insurance business; (x) problems associated with foreclosure process defects in the United States that may defer claim payments; (xi) competition with GSEs may put us at a disadvantage on pricing and other terms and conditions; (xii) adverse changes in regulations affecting our U.S. mortgage insurance business; (xiii) decreases in the volume of high loan-to-value mortgage originations or increases in mortgage insurance cancellations in the United States; (xiv) increases in the use of alternatives to private mortgage insurance in the United States and reductions in the level of coverage selected; and (xv) potential liabilities in connection with our U.S. contract underwriting services;

- *Risks relating primarily to our long-term care insurance, life insurance and annuities businesses, including:*

(i) our inability to increase sufficiently, and in a timely manner, premiums on in-force long-term care insurance policies and/or reduce in-force benefits, and charge higher premiums on new policies, in each case, as currently anticipated (including the future increases assumed in connection with the completion of our margin reviews in the fourth quarter of 2014) and as may be required from time to time in the future (including as a result of our failure to obtain any necessary regulatory approvals or unwillingness or inability of policyholders to pay increased premiums); our inability to reflect future

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premium increases and other management actions in our margin calculation as anticipated; (ii) failure to sufficiently increase demand for our long-term care insurance, life insurance and fixed annuity products; (iii) adverse impact on our financial results as a result of projected profits followed by projected losses (as is currently the case with our long-term care insurance business); (iv) deviations from our persistency assumptions used to price and establish reserves for our insurance policies and annuity contracts; (v) medical advances, such as genetic research and diagnostic imaging, and related legislation that impact policyholder behavior in ways adverse to us; and (vi) inability to continue to implement actions to mitigate the impact of statutory reserve requirements;

- *Other risks, including:*

(i) the possibility that in certain circumstances we will be obligated to make payments to General Electric Company (“GE”) under the tax matters agreement with GE even if our corresponding tax savings are never realized and payments could be accelerated in the event of certain changes in control; and (ii) provisions of our certificate of incorporation and bylaws and the tax matters agreement with GE may discourage takeover attempts and business combinations that stockholders might consider in their best interests; and

- *Risks relating to our common stock, including:*

(i) the continued suspension of payment of dividends; and (ii) stock price fluctuations.

We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.

Overview

Our business

We are dedicated to helping meet the homeownership, insurance and retirement needs of our customers, with a presence in more than 25 countries. We operate through three divisions: Global Mortgage Insurance, U.S. Life Insurance and Corporate and Other. Under these divisions, there are four operating business segments. The Global Mortgage Insurance Division includes the International Mortgage Insurance and U.S. Mortgage Insurance segments. The U.S. Life Insurance Division includes the U.S. Life Insurance segment. The Corporate and Other Division includes the Runoff segment and Corporate and Other activities. We have the following operating segments:

- ***International Mortgage Insurance.*** We are a leading provider of mortgage insurance products and related services in Canada and Australia and also participate in select European and other countries. Our products predominantly insure prime-based, individually underwritten residential mortgage loans, also known as flow mortgage insurance. We also selectively provide mortgage insurance on a structured, or bulk, basis that aids in the sale of mortgages to the capital markets and helps lenders manage capital and risk. Additionally, we offer services, analytical tools and technology that enable lenders to operate efficiently and manage risk.
- ***U.S. Mortgage Insurance.*** In the United States, we offer mortgage insurance products predominantly insuring prime-based, individually underwritten residential mortgage loans, also known as flow mortgage insurance. We selectively provide mortgage insurance on a bulk basis with essentially all of our bulk writings being prime-based. Additionally, we offer services, analytical tools and technology that enable lenders to operate efficiently and manage risk.
- ***U.S. Life Insurance.*** We offer and manage a variety of insurance and fixed annuity products in the United States. Our primary products include long-term care insurance, life insurance and fixed annuities.
- ***Runoff.*** The Runoff segment includes the results of non-strategic products which are no longer actively sold. Our non-strategic products primarily include our variable annuity, variable life insurance,

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institutional, corporate-owned life insurance and other accident and health insurance products. Institutional products consist of funding agreements, funding agreements backing notes (“FABNs”) and guaranteed investment contracts (“GICs”). We no longer offer retail and group variable annuities but continue to service our existing blocks of business.

We also have Corporate and Other activities which include debt financing expenses that are incurred at the Genworth Holdings, Inc. (“Genworth Holdings”) level, unallocated corporate income and expenses, eliminations of inter-segment transactions and the results of other non-core businesses that are managed outside of our operating segments, including discontinued operations.

In June 2015, our Board of Directors approved a transaction to sell our lifestyle protection insurance business, which had previously been designated as a non-core business. As the held-for-sale criteria were satisfied during the second quarter of 2015, we recorded an estimated loss to reduce the carrying value of the business to the fair value less pension settlement costs and closing costs. Our lifestyle protection insurance business, previously the only business in the International Protection segment, has been reported as discontinued operations and its financial position, results of operations and cash flows are separately reported for all periods presented. All prior periods reflected herein have been re-presented on this basis. See note 15 in our consolidated financial statements under “Item 1—Financial Statements” for additional information.

Strategic Update

In connection with the release of our results in the fourth quarter of 2014, we announced that we had commenced a review of a broad range of strategic options to maximize long-term stockholder value. In assessing our options, we considered, among other factors, the level of and restrictions contained in our existing indebtedness, tax considerations, the views of regulators and rating agencies, and the performance, prospects and interdependencies of our businesses.

As we move forward, we continue to make progress on our strategic objectives in order to position us for the future and are actively engaged in three areas: (1) strengthening our long-term care insurance and mortgage insurance businesses, including generating and maintaining PMIERS capital credit; (2) simplifying our business structure and portfolio, including repatriating our Brookfield Life and Annuity Insurance Company Limited (“BLAIC”) long-term care insurance business; and (3) increasing our financial strength and flexibility through separate initiatives such as selling blocks of business, reducing ownership of or selling businesses and a multi-step restructuring plan targeting annualized cash savings in excess of \$100 million in 2016 as well as reducing holding company debt levels over time.

We are making progress in 2015 with the following transactions. In May 2015, we sold an additional 14.2% of our Australian mortgage insurance business, which reduced our ownership percentage to 52.0% and generated net proceeds of \$226 million. In addition, in September 2015, we entered into an agreement with AXA S.A. to sell our lifestyle protection insurance business, which had previously been designated as a non-core business for us. The planned sale of this business is expected to be completed by the end of 2015 and generate approximately \$400 million of net proceeds, most of which we expect to use for debt reduction. In September 2015, we also announced we had agreed to sell certain blocks of our term life insurance to Protective Life Insurance Company which is expected to generate initial capital of approximately \$100 million to \$150 million in aggregate to Genworth. We expect the transaction will utilize all of the net operating losses in our U.S. life insurance companies resulting in expected intercompany tax payments over time to the holding company and other entities for the use of their tax benefits. The transaction is expected to close in the first quarter of 2016, subject to customary conditions, including requisite regulatory approvals. On October 27, 2015, we announced that Genworth Mortgage Insurance Corporation (“GMICO”), our wholly-owned indirect subsidiary, has entered into an agreement to sell our European mortgage insurance business to AmTrust Financial Services, Inc. This transaction is expected to result in net proceeds of approximately \$55 million and close in the first quarter of 2016, subject to customary conditions, including requisite regulatory approvals.

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In addition, we have significantly increased capital levels of our U.S. mortgage insurance business in 2015. As of September 30, 2015, our U.S. mortgage insurance business would be compliant with the PMIERS capital requirements, and would hold a reasonable amount in excess of these capital requirements, giving effect to: (i) two previously completed excess of loss reinsurance transactions with a panel of reinsurers, both effective July 1, 2015, that we expect will provide up to approximately \$300 million of PMIERS credit as of December 31, 2015; (ii) a recently completed intercompany sale of the U.S. mortgage insurance business' ownership interest in affiliated preferred securities for approximately \$200 million; (iii) an internal corporate entity restructuring completed on October 1, 2015; and (iv) a reinsurance transaction covering our 2015 book year entered into with a panel of reinsurers which is pending GSE approval, which we expect will provide up to an additional \$225 million of PMIERS capital credit as of December 31, 2015. In addition, we expect the estimated net proceeds from the sale of our European mortgage insurance business, announced on October 27, 2015, will provide additional PMIERS capital credit to our U.S. mortgage insurance business in 2016 upon closing. Prior to this transaction, our U.S. mortgage insurance business did not receive PMIERS capital credit for its ownership of the European mortgage insurance business. We will look to execute future capital transactions over time that are expected to provide a prudent level of financial flexibility in excess of the PMIERS capital requirements, including additional reinsurance transactions and contributions of holding company cash.

We are committed to position our U.S. mortgage and Canadian mortgage insurance businesses for growth by ensuring they are appropriately positioned to write profitable new business at attractive returns. In our long-term care insurance business, we intend to, among other things, pursue additional long-term care insurance rate actions, seek opportunities to reduce risk in older blocks of our long-term care insurance business and utilize reinsurance. In-force premium rate actions or benefit reductions continue to be our most important objective for this business and we are actively working with regulators on this front. We also seek to enhance our financial strength and flexibility over time to maintain our commercial presence. In addition, we may pursue additional life or annuity block transactions to improve our regulatory capital. Our focus on increasing the value of our life insurance and annuities businesses will include addressing the financial challenges of the aging population by offering more targeted product features and benefits and working with those producers who are focused on the same challenges. At the same time, we plan to evaluate an appropriately sized cost structure to support these businesses. For a discussion of risks related to our strategic plans, see "Part II—Item 1A—Risk Factors—We may be unable to successfully develop and execute strategic plans to effectively address our current business challenges."

Business trends and conditions

Our business is, and we expect will continue to be, influenced by a number of industry-wide and product-specific trends and conditions.

General conditions and trends affecting our businesses

Financial and economic environment. The stability of both the financial markets and global economies in which we operate impacts the sales, revenue growth and profitability trends of our businesses. During 2014 and into the first nine months of 2015, the U.S. and several international financial markets have been impacted by concerns regarding global economies and the rate and strength of recovery, particularly given recent political and geographical events in Eastern Europe and the Middle East and slow growth in China, as well as continued decreases in oil and commodity prices.

While the U.S. housing market continues to recover with home affordability above historical levels in certain regions, an increase in mortgage interest rates more broadly in the future may slow the overall housing recovery. Unemployment and underemployment levels in the United States decreased in 2014 and through the first nine months of 2015. Going forward, we expect moderate economic growth characterized by ongoing modest improvement in home values along with moderate changes in unemployment and underemployment levels. In Canada, the housing market improved in 2014 and through 2015 driven by continued low interest rates that have

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maintained affordability as home prices increased. The Canadian unemployment rate at the end of the third quarter of 2015 increased compared to the end of 2014 and the first half of 2015. We expect unemployment in certain regions of Canada may be pressured for the remainder of 2015 primarily driven by concerns of decreasing oil prices and its impact to the oil producing provinces of Canada. The unemployment rate in other parts of Canada is expected to be consistent with current levels. In Australia, the overall housing market continued to improve as modest economic growth and low interest rates persisted. The unemployment rate in Australia at the end of the third quarter of 2015 decreased compared to the end of 2014 and we expect the unemployment rate, other than in Queensland and Western Australia, to be relatively stable or to move modestly upward through the remainder of 2015 as the economy continues to transition away from being commodity focused, impacting investment levels. The Chinese economy had experienced significant growth over the past decade. This growth slowed during 2013 and into 2014 and the new Chinese administration began to implement economic and credit market reforms. Gross domestic product growth in China in 2014 and the first nine months of 2015 was significantly lower than growth over the past decade with the slowest growth in the past five years being in the second quarter of 2015. Given the relative size of the Chinese economy, the impact of a significant change in the pace of economic expansion in China could impact global economies, partly as a result of lower commodity imports, particularly those from the Asia Pacific region, including Australia. Europe remained a challenging region, despite early signs of modest improvement and increases in confidence, with slow growth or, in some countries, a declining economic environment with lower lending activity and reduced consumer spending, particularly in Greece, Spain, Portugal, Ireland and Italy. The overall economic environment in Europe remains fragile given concerns over debt repayment issues in Greece and unemployment, which in many countries remains just below record highs. As a result, we expect future economic growth to be modest in Europe. Additionally, Germany's economy could be impacted by the ongoing conflict in the Ukraine and sanctions imposed on Russia and the increasing migrant pressure from the civil war in Syria, which could negatively impact other European markets. See “—Trends and conditions affecting our segments” below for a discussion regarding the impacts the financial markets and global economies have on our businesses.

Slow or varied levels of economic growth, coupled with uncertain financial markets and economic outlooks, changes in government policy, regulatory reforms and other changes in market conditions, influenced, and we believe will continue to influence, investment and spending decisions by consumers and businesses as they adjust their consumption, debt, capital and risk profiles in response to these conditions. These trends change as investor confidence in the markets and the outlook for some consumers and businesses shift. As a result, our sales, revenues and profitability trends of certain insurance and investment products have been and could be further impacted negatively or positively going forward. In particular, factors such as government spending, monetary policies, the volatility and strength of the capital markets, anticipated tax policy changes and the impact of global financial regulation reform will continue to affect economic and business outlooks and consumer behaviors moving forward.

The U.S. and international governments, the Federal Reserve, other central banks and other legislative and regulatory bodies have taken certain actions to support the economy and capital markets, influence interest rates, influence housing markets and mortgage servicing and provide liquidity to promote economic growth. These include various mortgage restructuring programs implemented or under consideration by the GSEs, lenders, servicers and the U.S. government. Outside of the United States, various governments and central banks have taken and continue to take actions to stimulate economies, stabilize financial systems and improve market liquidity. In aggregate, these actions had a positive effect in the short term on these countries and their markets; however, there can be no assurance as to the future impact these types of actions may have on the economic and financial markets, including levels of volatility. A delayed economic recovery period, a U.S. or global recession or regional or global financial crisis could materially and adversely affect our business, financial condition and results of operations.

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Investments and derivatives

Investments—credit and investment markets

Developed market government bond yields declined in the third quarter of 2015 on signs of slowing global activity. China's currency devaluation in August 2015 caused global growth expectations to be revised downward, accelerating the decline in oil and metals prices and pressuring commodity-based emerging market economies. The Federal Reserve Open Market Committee held rates steady during the third quarter of 2015, citing downside risks to global growth, tighter financial conditions and muted inflation, but suggested a rate hike is possible before the end of 2015.

Credit spreads generally widened during the third quarter of 2015, pressured by weaker oil and metals prices and heavy investment grade corporate bond supply driven by merger and acquisition financings and share buybacks. Commodity exposed credits and companies with below investment grade ratings broadly underperformed the market on reduced investor risk appetite.

Increases in interest rates and credit spreads have decreased the value of our investments and derivatives, resulting in decreases in net unrealized investment gains on securities of \$728 million and derivatives qualifying as hedges of \$60 million in each case included in other comprehensive income (loss) for the nine months ended September 30, 2015. Economic conditions will continue to impact the valuation of our investment portfolios and the amount of other-than-temporary impairments.

Looking ahead, we believe the current credit environment provides stable investment opportunities and we expect corporate defaults to remain relatively low. Prolonged weakness in oil and other commodity prices could continue to pressure smaller or highly leveraged companies, and some emerging market companies. Our energy portfolio is predominantly investment grade and our metals and mining sector holdings are relatively low. We expect ongoing ratings pressure on these sectors given commodity price levels but believe our energy portfolio is well-positioned and we would expect minimal capital impact on our U.S. life insurance subsidiaries.

We believe the current credit environment provides us with opportunities to invest across a variety of asset classes including expanding into a small allocation of alternative assets, but we anticipate our returns will continue to be pressured primarily because of low interest rates. See “—Investments and Derivative Instruments” for additional information on our investment portfolio.

Derivatives

We continue to take actions to mitigate the risk to our derivatives portfolio arising from our counterparties right to terminate their derivatives transactions with us following ratings downgrades. As of September 30, 2015, we have negotiated amendments to master swap agreements governing \$11.4 billion notional of our derivatives portfolio, such that the current ratings of Genworth Holdings and our life insurance subsidiaries are at least one-notch above the level at which counterparties could terminate the transactions under those agreements. As of September 30, 2015, we have moved \$8.5 billion notional of our derivatives portfolio from bilateral over-the-counter agreements to clearing through the Chicago Mercantile Exchange (“CME”), which has required us to post initial margin of \$91 million to CME through our clearing agents. The customer agreements that govern our cleared derivatives contain provisions that enable our clearing agents to request initial margin in excess of CME requirements. So far, they have not done so, but may do so in the future. Because our clearing agent serves as a guarantor of our obligations to the CME, the customer agreements contain broad termination provisions that are not specifically dependent on ratings. As of September 30, 2015, we have no significant positions in bilateral over-the-counter derivatives agreements where the counterparty has the right to terminate its transactions with us based on our current ratings.

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Trends and conditions affecting our segments

International Mortgage Insurance

Results of our international mortgage insurance business are affected by changes in regulatory environments, employment levels, consumer borrowing behavior, lender mortgage-related strategies, including lender servicing practices, and other economic and housing market influences, including interest rate trends, home price appreciation or depreciation, mortgage origination volume, levels and aging of mortgage delinquencies and movements in foreign currency exchange rates.

Canada and Australia comprise approximately 99% of our international mortgage insurance primary risk in-force. These established markets will continue to be key drivers of revenues and earnings in our international mortgage insurance business. During 2014 and continuing into the first nine months of 2015, the U.S. dollar strengthened against many foreign currencies, in particular the Canadian dollar and Australian dollar, which negatively impacted the results of our international mortgage insurance business as reported in U.S. dollars. Any future movement in foreign exchange rates could impact future results.

Canada. In Canada, the housing market improved in 2014 and in the first nine months of 2015 driven by continued low interest rates that maintained affordability as home prices increased. Job creation has been steady so far in 2015 with the addition of approximately 127,000 jobs and with the September 2015 unemployment rate at 7.1% after ending at 6.7% in 2014. We expect unemployment to remain in that range for the remainder of 2015. However, there is pressure on unemployment in certain provinces primarily driven by continued concerns of lower oil prices and its impact to the oil producing provinces of Canada. In response to slow economic growth, the overnight interest rate was reduced by 0.25% in July 2015 to 0.50% with the expectation that the low interest rate environment will continue through 2015 and into 2016.

Home sales in Canada increased approximately 4% in the first nine months of 2015 compared to the same period in the prior year, with tight supply continuing to pressure prices in select urban markets with the resale market remaining at or near balanced market conditions. However, we have begun to see some modest home price pressure in regions whose economy is more energy dependent in the first nine months of 2015. We expect the growth rate of the high loan-to-value market to reflect the change in housing resale activity and home price appreciation. According to the Bank of Canada, economic growth as measured by the Canadian gross domestic product decreased by approximately 0.6% in the first quarter of 2015 and by 0.5% in the second quarter of 2015 primarily due to the effects of lower oil prices. However, the Bank of Canada still expects growth of just over 1% for 2015. We expect the growth of the Canadian gross domestic product in 2015 to be fueled by increasing non-energy exports and business investments, a stronger U.S. economy and a weaker Canadian dollar that benefits exports in Central Canada and British Columbia, offset by the negative impact of lower oil prices. The continuing low oil prices is an emerging risk due to its potential impact on employment and housing, especially in the provinces of Alberta, Newfoundland and Saskatchewan. We will continue to monitor the impact of oil prices as part of our proactive portfolio risk management strategy but the loss ratio in Canada could be modestly higher in the fourth quarter of 2015 and into 2016.

On April 1, 2015, the Canada Mortgage and Housing Corporation (“CMHC”) implemented a price increase to its National Housing Act Mortgage-Backed Securities (“NHA MBS”) guarantee fees. Under the NHA MBS Program, CMHC guarantees timely payment of principal and interest to purchasers of the mortgage-backed securities backed by pools of eligible insured mortgages. The NHA MBS guarantee fees are paid by lenders in addition to the mortgage insurance premium. On June 3, 2015, the Canadian government published regulations that prohibit the substitution of mortgages in insured pools after May 15, 2015 and limit the mortgage insurer’s commitment period to no more than one year. Subsequently, on June 6, 2015, the Canadian government published draft regulations to implement the prohibition that was announced in its 2013 budget to limit portfolio insurance to only those mortgages that will be used in CMHC securitization programs and to prohibit the use of government guaranteed insured mortgages in private securitizations. Genworth MI Canada Inc. (“Genworth Canada”) anticipates the regulations will now become effective in the first half of 2016. Although it is difficult to

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determine the full impact of these changes at this time, we believe the changes will decrease demand for low loan-to-value mortgage insurance.

As a result of its annual review of its insurance products and capital requirements, CMHC increased its mortgage insurance premiums by 15% for homebuyers with less than a 10% down payment effective June 1, 2015. Genworth Canada also increased its price by 15% for homebuyers with less than a 10% down payment effective June 1, 2015. Homebuyers with less than 10% down payment represents about 65% of Genworth Canada's flow new insurance written. Gross written premiums increased by approximately \$9 million in the third quarter of 2015 from the price increase.

On November 6, 2014, the Office of the Superintendent of Financial Institutions ("OSFI") published the final B-21 Residential Mortgage Insurance Underwriting Practices and Procedures Guideline (the "B-21 Guideline"). In the B-21 Guideline, OSFI sets out principles that promote and support sound residential mortgage insurance underwriting. These six principles focus on three main themes: i) governance, development of business objectives and strategy, and oversight; ii) interaction with lenders as part of the underwriting process; and iii) internal underwriting operations and risk management. The B-21 Guideline also enhances disclosure requirements, which will support greater transparency, clarity and public confidence in mortgage insurers' residential mortgage insurance underwriting practices. Genworth Canada is in compliance with the B-21 Guideline which was effective June 30, 2015.

Australia. In Australia, the overall economy continued to expand during 2014 and into the nine months of 2015, though at a more modest pace than in prior years, with ongoing evidence of variation in economic activity across sectors and regions. At the same time, housing activity improved primarily from sustained low interest rates which were reduced another 0.25% to 2% by the Reserve Bank of Australia in May 2015. The Reserve Bank of Australia expects the current interest rate reduction to add further support to demand, to foster growth and inflation outcomes consistent with their targets. The unemployment rate was 6.2% at the end of the third quarter of 2015 after reaching a 12-year high of 6.3% in 2014. We expect unemployment to be relatively stable or to move modestly upward as we progress through the remainder of 2015 as the economy continues to transition away from being commodity focused, impacting investment levels. During the third quarter of 2015, Australia observed a decrease in new delinquencies and an increase in cures as compared to the prior quarter which is consistent with normal seasonal variation that is typically observed in the Australia market. We also note that delinquencies within certain mining-related areas within Queensland and Western Australia decreased in the third quarter of 2015 but remain elevated as compared to other regions. If this trend continues in Queensland and Western Australia, the loss ratio in Australia could increase going forward. The Australian housing market continued to improve into the first nine months of 2015, with home values on average 11.0% higher than a year ago. The Sydney and Melbourne housing markets continue to be the major driver with annual growth rates of 16.7% and 14.2%, respectively. We expect home price appreciation to moderate during the remainder of 2015 still supported by limited housing supply and record low interest rates driving improved affordability.

In December 2013, the Australian government announced that there would be an inquiry into Australia's financial system. The Financial System Inquiry ("FSI") made a number of recommendations, which were released by the Australian government in December 2014. The FSI has recommended, among other things, that capital levels for internal ratings-based ("IRB") authorized deposit taking institutions ("ADIs") be raised against residential real estate risks. The FSI has also recommended narrowing the average risk-weight gap between average risk-weights for the IRB ADIs and other ADIs to help competition. In releasing the FSI's recommendations, the Australian Treasurer commented that the FSI's recommendations on bank capital are for the Australian Prudential Regulation Authority ("APRA") and the Reserve Bank of Australia to consider as independent regulators. In signaling a response to the FSI's recommendations, on July 13, 2015, APRA released a study comparing the capital position of the Australian IRB banks against a group of international peers, commenting that the IRB banks will need to increase their capital ratios by at least 200 basis points relative to their position in June 2014 to strengthen their position relative to international peers. This was an information

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paper with no requirements or timing. However, on July 20, 2015, APRA issued a press release announcing that for the IRB banks the average risk-weight on Australian residential mortgage exposures will increase from approximately 16% to at least 25%, which will come into effect on July 1, 2016. In October 2015, the Australian government issued a response to the FSI recommendations, setting forth the Australian government's approach and intended timeline for improving Australia's financial system. While the Australian government agreed with the FSI's recommendations regarding setting strong capital ratio requirements for ADIs and narrowing mortgage risk weight differences, the Australian government's response did not specifically comment on the role and utilization of mortgage insurance. Rather, the Australian government endorsed APRA's role in regulating these areas. Given the recent nature of these regulatory and policy developments, we and other market participants are still assessing potential impacts and we have therefore not yet determined whether or how these regulatory and policy developments will impact our Australian mortgage insurance business.

In November 2014, APRA released Prudential Practice Guide APG 223 Residential Mortgage Lending ("APG 223"), as part of its continued focus on lending standards. The guidelines are focused on clarifying the regulators' expectations around lending standards and, amongst other items, addressed the strengthening of loan serviceability testing across all ADIs. In addition, APRA also wrote to ADIs to advise that in their view annual investor credit growth materially above a benchmark of 10% would be an important risk indicator that supervisors will take into account when reviewing ADIs' residential mortgage risk profile and considering supervisory actions. In August 2015, the Australian Securities & Investments Commission ("ASIC") released a report following its investigations into "interest-only" loans over the first half of 2015. The report introduces new responsible lending guidance for banks and non-bank lenders, brokers and servicers, focusing on home loans. The impact of APG 223 and the increased supervision by APRA and ASIC has been the tightening of lending standards which in 2015 has begun to lead to reduced volumes of new insurance written for loans with loan-to-values greater than 80% and gross written premiums in our Australian mortgage insurance business.

In February 2015, one of our three largest customers in Australia notified us that it was terminating its relationship with respect to new business effective May 2015. For the year ended December 31, 2014, this customer represented 10% and 14% of new insurance written and gross written premiums, respectively. The term of the current supply and service contract with our largest customer expires on December 31, 2016, unless it is terminated earlier in certain circumstances, including, among other things, a downgrade of the financial strength rating of our principal mortgage insurance subsidiary in Australia by Standard & Poor's Financial Services, LLC ("S&P") to below "A-" (subject to certain exceptions). The term of the current supply and service contract with our next remaining largest customer in Australia was originally set to expire on September 30, 2015 but was extended during the second quarter of 2015 to November 2017 with a 12-month extension option at the customer's discretion.

On May 11, 2015, we sold 92,300,000 of our shares in Genworth Mortgage Insurance Australia Limited ("Genworth Australia") at AUD\$3.08 per ordinary share. Following completion of this offering, our ownership percentage decreased from 66.2% to 52.0% in May 2015.

Other Countries. The overall economic environment in Europe remains fragile given concerns over debt repayment issues in Greece and unemployment which in many countries remains just below record highs. As a result, we expect future economic growth to be modest. We are seeing a slow resurgence in high loan-to-value lending in our target countries in Europe as lenders begin to slowly re-enter these markets for the first time since the global financial crisis. As a result of the lingering economic recession, we have seen an elevated number of delinquencies and lower cures in our older books of business, most notably in Ireland, contributing to higher losses over the last few years. However, these books are well seasoned now and as a result we saw a reduction in net new delinquencies on these books during 2014 and into the first nine months of 2015. Even though our newer books of business are less seasoned, they are performing well in comparison to pricing expectations. In the fourth quarter of 2014, lender settlements reduced active delinquencies by approximately 40% and capped our exposure in Ireland to approximately \$60 million or about 3% of our total outstanding risk in-force in Europe. We have been focused on writing new business in Italy, Finland, Germany and the United Kingdom, which we expect to continue until the recently announced sale of our European mortgage insurance business is complete.

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U.S. Mortgage Insurance

Results of our U.S. mortgage insurance business are affected by the following factors: competitor actions; unemployment or underemployment levels; other economic and housing market trends, including interest rates, home prices, mortgage origination volume mix and practices; the levels and aging of mortgage delinquencies, which may be affected by seasonal variations; the inventory of unsold homes; lender modification and other servicing efforts; and resolution of pending or any future litigation, among other items. The impact of prior years' weakness and uncertainty in the domestic economy, related levels of unemployment and underemployment and resulting increase in foreclosures, the number of borrowers seeking loan modifications and the level of housing inventories with the related impact on home values, all combined to contribute adversely to the performance of our insured portfolio relating to our 2005 through 2008 book years. Going forward, we expect moderate economic growth characterized by ongoing modest improvement in home values along with moderate changes in unemployment and underemployment levels. Our results are subject to the continued recovery of the U.S. housing market and the extent of the adverse impact of seasonality that we experience historically in the second half of the year.

We believe that the level of private mortgage insurance industry market penetration and eventual market size will continue to be affected by actions taken by the GSEs, the Federal Housing Administration (the "FHA"), the Federal Housing Finance Agency (the "FHFA"), the U.S. Congress or the U.S. government which impact housing or housing finance policy. Over time, these actions have included announced changes, or potential changes, to underwriting standards, FHA pricing, GSE guaranty fees and loan limits as well as low-down-payment programs available through the FHA or GSEs. Specifically, recent actions include Fannie Mae and Freddie Mac decisions to resume purchases of certain loans with down payments as low as 3%. This has resulted in a modest increase in loans purchased by the GSEs with private mortgage insurance relative to overall originations. Also, the FHA reduced the annual mortgage insurance premium it charges but the FHA premium reduction has not had to date a material adverse effect on private mortgage insurers' ability to sustain market share. Further, there has been a modest reduction in the amount of certain loan-level price adjustment fees charged by the GSEs but this fee change has not had to date, and is not expected to have, a material impact on mortgage originations or the competitiveness of private mortgage insurance versus that of FHA insurance.

In addition to the actions described above, in December 2013, the FHFA issued for comment a proposal to reduce GSE loan limits. We filed a comment letter in March 2014 in response to that proposal. To date the FHFA has not yet issued a final determination regarding loan limits. If implemented, lower loan limits could limit demand for mortgage loans with private mortgage insurance coverage.

On April 17, 2015, the final PMIERS were publicly released by the GSEs in conjunction with the FHFA. PMIERS will be used by the GSEs to approve private mortgage insurers that provide mortgage insurance on loans acquired by them. As of September 30, 2015, our U.S mortgage insurance business would be compliant with the PMIERS capital requirements, and would hold a reasonable amount in excess of these capital requirements, giving effect to: (i) two previously completed excess of loss reinsurance transactions with a panel of reinsurers, both effective July 1, 2015, that we expect will provide up to approximately \$300 million of PMIERS credit as of December 31, 2015; (ii) a recently completed intercompany sale of the U.S. mortgage insurance business' ownership interest in affiliated preferred securities for approximately \$200 million; (iii) an internal corporate entity restructuring completed on October 1, 2015; and (iv) a reinsurance transaction covering our 2015 book year entered into with a panel of reinsurers which is pending GSE approval, which we expect will provide up to an additional \$225 million of PMIERS capital credit as of December 31, 2015. In addition, we expect the estimated net proceeds of approximately \$55 million from the sale of our European mortgage insurance business, announced on October 27, 2015, will provide additional PMIERS capital credit to our U.S. mortgage insurance business in 2016 upon closing. Our assessment of PMIERS compliance is based on a number of factors including our view of the ongoing performance of our U.S. mortgage insurance business reflecting assumed market size and other dynamics, as well as current affiliate asset valuations under the PMIERS. Additionally, our current estimate reflects a decrease in affiliate asset valuation due to changes since our prior estimate in market value and

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currency fluctuations. In order to continue to provide a prudent level of financial flexibility in excess of the PMIERS capital requirements given the dynamic nature of asset and requirement valuations over time, our U.S. mortgage insurance business may execute future capital transactions, including additional reinsurance transactions and contributions of holding company cash.

As discussed above, our U.S. mortgage insurance business completed two reinsurance transactions during the third quarter of 2015 designed to provide PMIERS capital credit. As a result of these reinsurance transactions, ceded premiums in our U.S. mortgage insurance business increased in the third quarter of 2015, which will continue going forward. PMIERS capital benefits and ceded premiums from these transactions are expected to decline over time primarily through loan amortization and policy lapse.

On June 30, 2015, the GSEs in conjunction with the FHFA published revisions to the final PMIERS that included the addition of a factor (multiplier) to be applied to loans with lender paid insurance for business written on or after January 1, 2016 to calculate the risk-based required asset amount. We offer single premium lender paid insurance to lenders on a negotiated transaction basis. We participate in this market selectively based upon our evaluation of the risk return profile of these transactions. We are evaluating the impact of the application of this factor to loans insured after January 1, 2016.

Also in June 2015, the Wisconsin Department of Insurance sent mortgage insurance companies a letter inquiring about, among other things, their discounted lender paid mortgage insurance practices. In July 2015, we responded to the letter from the Wisconsin Department of Insurance by providing detailed responses to the questions outlined in the inquiry, including a description of certain mortgage insurance pricing practices. If the percentage of our business written as single premium lender paid insurance increases compared to our borrower paid insurance, all other things being equal, our weighted-average returns will be lower.

As of September 30, 2015, GMICO's risk-to-capital ratio under the current regulatory framework as established under North Carolina law and enforced by the North Carolina Department of Insurance ("NCDOI"), GMICO's domestic insurance regulator, was approximately 14.3:1, compared with a risk-to-capital ratio of approximately 13.5:1 as of June 30, 2015 and 14.3:1 as of December 31, 2014. This risk-to-capital ratio remains below the NCDOI's maximum risk-to-capital ratio of 25:1. The NCDOI's current regulatory framework by which GMICO's risk-to-capital ratio is calculated differs from the capital requirement methodology in the final PMIERS. GMICO's ongoing risk-to-capital ratio will depend principally on the magnitude of future losses incurred by GMICO, the effectiveness of ongoing loss mitigation activities, new business volume and profitability, the amount of policy lapses, the amount of additional capital that is generated within the business or capital support (if any) that we provide and changes in the value of affiliate assets. Our estimate of the amount and timing of future losses and these foregoing factors are inherently uncertain, require significant judgment and may change significantly over time. In the third quarter of 2015, we recorded a decrease in GMICO's statutory surplus of approximately \$90 million related to the anticipated sale of our European mortgage insurance business, which impacted our statutory risk-to-capital ratio by less than one point. In July 2015, GMICO's sale of its ownership interest in affiliated preferred securities to Genworth Holdings had no impact on GMICO's risk-to-capital ratio as of June 30, 2015; however, it does benefit our progress in complying with the final PMIERS by the effective date (as noted above). In addition, as a result of this sale, our U.S. mortgage insurance subsidiaries will no longer receive dividends from these preferred securities; however, there will be no impact on consolidated results as the dividends will be paid to Genworth Holdings going forward.

The National Association of Insurance Commissioners (the "NAIC") is reviewing the current Mortgage Guaranty Model Act, including minimum capital and surplus requirements for mortgage insurers through the Mortgage Guaranty Insurance Working Group (the "MGIWG"). The MGIWG has not established a date by which it must make proposals to change such requirements. However, as we learn more specific information about these NAIC activities, we continue to assess the potential impact, if any, that these new requirements may have on our U.S. mortgage insurance business and evaluate the options potentially available to meet any legislative or regulatory measures adopted as a result of the NAIC recommendations.

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Overall mortgage originations were down in the third quarter of 2015 as a result of a decline in refinances driven by increased interest rates, partially offset by an increase in purchase originations driven by a strong home-selling season, an increase in purchases by first time homebuyers, and higher home prices. Over time, mortgage interest rates are expected to increase, and as a result, we would expect refinancing activities to continue to decrease. Accordingly, we continue to believe that, as the mix of the mortgage originations market shifts from refinancing activities to purchase originations, originations which are insured with private mortgage insurance will increase relative to total originations leading to a larger market for private mortgage insurance over time. Our U.S. mortgage insurance estimated market share remained stable during the third quarter of 2015. We continue to manage the quality of new business through our underwriting guidelines, which we modify from time to time when circumstances warrant. The amount of single premium lender paid new insurance written increased in the third quarter of 2015 reflecting our selective participation in this market. Future volumes of this product will vary depending on our evaluation of the risk return profile of these transactions, as well as our evaluation of the impact of the PMIERS factor (multiplier) that takes effect for loans insured on or after January 1, 2016. We have also observed intensified price competition with borrower paid mortgage insurance during the third quarter of 2015.

New delinquencies increased during the third quarter of 2015 compared to the prior quarter. The increase is consistent with our normal seasonal patterns and the majority of the new delinquencies continue to come from the 2005 through 2008 book years. Delinquencies from those book years continue to be the principal source of new delinquencies reported to us and our portfolio continues to be adversely affected by those delinquencies. Beginning in mid-2010, we saw an increase in foreclosure starts as well as an increase in our paid claims as late stage delinquency loans go through foreclosure. Beginning in 2014, the pace of foreclosure starts began to slow and as a consequence actual foreclosure timelines have lengthened. We believe this delay in foreclosure starts may in part be a result of the implementation of a Consumer Finance Protection Bureau (“CFPB”) mortgage servicing rule (the “CFPB Rule”) that requires lenders and servicers to defer foreclosure starts until a borrower is at least 120-days delinquent to permit possible loan modification or workout solutions and as a result in improvements in the housing market and overall economy. These lengthened foreclosure timelines, have been accommodated by GSE extensions of the allowable period over which certain foreclosure actions by lenders and servicers may occur. We believe additional loan workout or modification solutions that would ultimately reduce the number of foreclosure actions from these early stage delinquencies may result from the deferral of the foreclosure start date, coupled with GSE foreclosure timeline extension guidelines and the CFPB Rule’s early intervention provisions that require a lender or servicer to utilize good faith efforts to establish live contact with delinquent borrowers and provide written notice of available loss mitigation options. We have seen differences in performance among loan servicers regarding the ability to modify loans and avoid foreclosure. On the other hand, a lengthening of the foreclosure process itself reflected by the GSE foreclosure timeline extensions and extended timelines in judicial foreclosure states has led and is expected to continue to lead to increased claims expense relative to foreclosures conducted in the pre-financial crisis environment. Depending on our experience going forward, we may need to adjust our reserve frequency or severity assumptions, which could either increase or decrease reserves over time as experience from these programs continues to emerge.

Improved underwriting guidelines for the origination of loans comprising our 2009 through 2015 book years as well as improved mortgage servicing practices, such as our expanded efforts to modify loans, combined with improvements in the overall economy and housing market have resulted in lower overall delinquency levels through the third quarter of 2015. However, our 2009 through 2012 book years are experiencing higher prepayment rates driven by lower interest rates in 2015 relative to the time of origination. While we continue to see benefits from loan modification actions on newer delinquencies within our portfolio, loan modification efforts have continued to remain more difficult to complete on the older delinquencies within our delinquent loan population. We have seen the older delinquencies that remain unresolved within our portfolio, particularly those from the 2005 through 2008 book years, continue to age through the third quarter of 2015. The ongoing lengthening of the foreclosure process as discussed above continues to result in ongoing elevated levels of expenses associated with those claims. We believe that the ability to cure delinquent loans is dependent upon such things as employment levels, home values and mortgage interest rates. In addition, while we continue to

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execute on our loan modification strategy, which cures the underlying delinquencies and improves the ability of borrowers to meet the debt service on their mortgage loans going forward, we have seen the level of ongoing loan modification actions decline during the period from 2011 through the third quarter of 2015 compared with the levels we experienced during preceding periods. We expect our level of loan modifications to continue to decline going forward in line with the expected reduction in delinquent loans and because of the continuing aging of delinquencies. However, we further expect the rate at which newly delinquent loans are modified to remain steady given the GSEs streamlined modification program and the overall improvement over time of the economy and housing market.

As of September 30, 2015, loans modified through the Home Affordable Refinance Program (“HARP”) accounted for approximately \$17.8 billion of insurance in-force, with \$16.6 billion of those loans from our 2005 through 2008 book years. The volume of new HARP modifications continues to decrease as the number of loans that would benefit from a HARP modification decreases. Loans modified through HARP have extended amortization periods and reduced interest rates, which reduce borrower’s monthly payments. Over time, we expect these modified loans to result in extended premium streams and a lower incidence of default. The U.S. government has extended HARP through the year ending December 31, 2016. For financial reporting purposes, we report HARP modified loans as a modification of the coverage on existing insurance in-force rather than new insurance written.

In 2014, the Obama Administration announced that it would extend the Home Affordable Modification Program (“HAMP”) through December 31, 2015 (and the Administration subsequently further extended the program through December 31, 2016), and expand borrower eligibility by adjusting certain underwriting requirements. Also in 2014, incentives paid to the owner of a loan that qualifies for principal reduction under HAMP were increased and, for the first time, offered to the GSEs. However, to date, the GSEs are not participating in this program. While the impact of these program extensions to date has remained positive, there can be no assurance that the number of loans that are modified under HAMP, including mortgage loans we insure currently, is sustainable over time or that any such modifications will succeed in ultimately avoiding foreclosure, in part based on our historical experience with modified loans which later re-default. In addition, beginning in the third quarter of 2014, borrowers who received a HAMP modification began to experience a gradual interest rate increase of up to 1% per year (referred to as interest rate resets), until such time as their mortgage interest rate reaches the market interest rate at the time the loan was modified. While the government and the mortgage services industry remain committed to working with borrowers under this program, we cannot predict whether these interest rate resets will have a material adverse impact on the performance of loans that have received HAMP modifications or if the resulting effect of avoiding foreclosure is sustainable over time.

U.S. Life Insurance

We calculate and maintain reserves for the estimated future payment of claims to our policyholders and contractholders based on actuarial assumptions and in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and industry practice. Many factors can affect the reserves in our U.S. life insurance businesses and because they are not known in advance, change over time, are difficult to accurately predict and are inherently uncertain, we cannot determine with precision the ultimate amounts we will pay for actual claims or the timing of those payments. We also perform loss recognition testing to ensure that the current reserves along with the present value of future gross premiums are sufficient to cover the present value of future expected claims and expense, as well as recover the unamortized portion of DAC and, if any, PVFP. If the loss recognition test indicates a deficiency in the ability to pay all future claims and expenses, including the amortization of DAC and PVFP, a loss is recognized in earnings as an impairment of the DAC and/or PVFP balance and, if the loss is greater than the DAC and/or PVFP balance, by an increase in reserves.

In our U.S. life insurance businesses, our liability for policy and contract claims is reviewed quarterly as well as with our regular review of our claim reserve assumptions during the third quarter of each year. Our liability for future policy benefits is reviewed at least annually as a part of our loss recognition testing typically performed in the fourth quarter of each year. As part of loss recognition testing, we review the recoverability of

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DAC and PVFP at least annually. We also perform cash flow testing separately for each of our U.S. life insurance companies on a statutory accounting basis annually.

During the third quarter of 2015, we reviewed our assumptions and methodologies relating to our claim reserves of our long-term care insurance business but did not make any significant changes to the assumptions or methodologies, other than routine updates to investment returns and benefit utilization rates as we typically do each quarter. These updates in the third quarter of 2015 did not have a significant impact on claim reserve levels. In the fourth quarter of 2015, we will conduct our annual review of assumptions related to our liability for future policy benefits or policyholder account balances for our long-term care insurance, life insurance and annuity products. This review will include updates to our assumptions, if necessary, based on any relevant observable trends in our experience and any changes to future expectations with respect to a variety of factors, including but not limited to, mortality, policyholder behavior and interest rates. As previously disclosed, the margin on our acquired block of long-term care insurance was zero after the reserve increase in the fourth quarter of 2014; therefore, the impacts of any adverse changes in assumptions would immediately be reflected in net income (loss). In addition, our acquired block would not benefit significantly from additional rate actions as it is older, and therefore, there is a higher likelihood that adverse changes could result in additional losses on that block.

We will continue to monitor our experience and assumptions closely and make changes to our assumptions and methodologies, when appropriate. Small changes in assumptions or small deviations of actual experience from assumptions can have, and in the past have had, material impacts on our reserve levels, results of operations and financial condition.

Long-term care insurance. Results of our long-term care insurance business are influenced by sales, competitor actions, morbidity, mortality, persistency, investment yields, expenses, ability to achieve rate actions, changes in regulations and reinsurance. Additionally, sales of our products are impacted by the relative competitiveness of our offerings based on product features, pricing and commission levels, actions by rating agencies and the impact of in-force rate actions on distribution and consumer demand. Changes in regulations or government programs, including long-term care insurance rate action legislation, could impact our long-term care insurance business either positively or negatively.

During the third quarter of 2014, we completed a comprehensive review of our long-term care insurance claim reserves. As a result of this review, we made changes to our assumptions and methodologies relating to our long-term care insurance claim reserves primarily impacting claim termination rates, most significantly in later-duration claims, and benefit utilization rates, reflecting that claims are not terminating as quickly and claimants are utilizing more of their available benefits in aggregate than had previously been assumed in our reserve calculations. The changes made to our claim reserve assumptions and methodologies in the third quarter of 2014 also informed the review of and changes to assumptions and methodologies used in our fourth quarter of 2014 loss recognition testing, which indicated that a premium deficiency existed for our acquired block of long-term care insurance. As a result, we have updated our future policy benefit reserve assumptions on our acquired block of long-term care insurance as of December 31, 2014. These updated assumptions will be locked-in until such time as another premium deficiency exists. While our loss recognition testing in the fourth quarter of 2014 for our long-term care insurance block, excluding the acquired block, indicated that block had positive margin of \$2.3 billion, it also indicated we had projected profits in earlier years followed by projected losses totaling a present value of \$1.2 billion in later years. As a result of this pattern of projected profits followed by projected losses, we are required to accrue additional future policy benefit reserves in the profitable years by the amounts necessary to offset losses in later years. Given our updated assumptions and methodologies discussed above, we are currently establishing higher claim reserves on new claims, which decrease earnings in the period in which the higher reserves are recorded. Consequently, results of our long-term care insurance business have been modest in 2015 and we expect results to continue to be modest going forward with some variability period to period. We will continue to regularly review our methodologies and assumptions in light of emerging experience and may be required to make further adjustments to our long-term care insurance claim reserves in the future, which could also impact our loss recognition testing results. Any further materially adverse changes to our claim reserves or changes as a result of loss recognition testing may have a materially negative impact on our results of operations, financial condition and business.

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We experience volatility in our loss ratios caused by variances in claim terminations, claim severity and claim counts. Our rate actions may also cause fluctuations in our loss ratios during the period when reserves are adjusted to reflect policyholders taking reduced benefits or non-forfeiture options within their policy coverage. In addition, we periodically review our claim reserve assumptions and methodologies based upon developing experience, which may result in changes to claim reserves and loss recognition testing results, causing volatility in our operating results and loss ratios. Our loss ratio was 173% in the third quarter of 2014 reflecting changes to our assumptions and methodologies relating to our claim reserves as part of the comprehensive review of our long-term care insurance reserves. Our loss ratio was 200% in the fourth quarter of 2014 reflecting the results of our annual loss recognition testing, which impacted our acquired block. As a result, our loss ratio for the year ended December 31, 2014 was 129% and the increase in reserves as a result of the reviews increased the loss ratio for our long-term care insurance business by 57 percentage points in 2014. Our loss ratio was 74% for the nine months ended September 30, 2015 reflecting our updated claims assumptions emerging from our review of claim reserves as well as our updated assumptions on our acquired block in 2014.

Our long-term care insurance sales decreased 64% during the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 and decreased 11% in the third quarter of 2015 from the second quarter of 2015. Sales decreased due to 2014 product changes that increased premium rates and reduced benefits offered, competing industry product solutions and certain distributors suspending sales of our products as a result of market uncertainty about the outcome of our strategic review, rating agency actions and our 2014 financial results. The overall long-term care insurance industry sales trends were down approximately 16% in the first half of 2015 as compared to the same period in 2014 as companies have left the market over time and have introduced price increases, product changes, as well as from consumer concern tied to industry rate actions. In 2014, we launched a product which increased premium rates but gave consumers the flexibility to choose the right fit for their long-term care needs, combined with the simplicity of prepackaged benefits. In the fourth quarter of 2014, we began filing for regulatory approval of an enhanced product to improve competitiveness, while meeting our targeted returns, by, among other things, reducing premium rates and adjusting coverage options. As of September 30, 2015, this enhanced product had been filed in 47 states and approved in 44 states, and launched in 35 states on July 20, 2015, with an additional eight states targeted to be launched in November 2015. In support of this product, we are investing in targeted distribution and marketing initiatives to increase long-term care insurance sales. In addition, we are evaluating market trends and sales and investing in the development of products and distribution strategies that we believe will help expand the long-term care insurance market over time and meet broader consumer needs.

We also manage risk and capital allocated to our long-term care insurance business through utilization of external reinsurance in the form of coinsurance. We executed external reinsurance agreements to reinsure 20% of all sales of the long-term care insurance products that have been introduced since early 2013. External new business reinsurance levels vary and are dependent on a number of factors, including price, availability, risk tolerance and capital levels. Over time, there can be no assurance that affordable, or any, reinsurance will continue to be available. We also have external reinsurance on some older blocks of business which includes a treaty on a yearly renewable term basis on business that was written between 1998 and 2003. This yearly renewable term reinsurance provides coverage for claims on those policies for 15 years after the policy was written. After 15 years, reinsurance coverage ends for policies not on claim, while reinsurance coverage continues for policies on claim until the claim ends. Beginning in 2013 and extending through 2018, we have seen and may continue to see an increase in benefit costs if and when those policies are no longer covered under this reinsurance go on claim. In addition, we have a portion of our long-term care insurance business reinsured internally by BLAIC, one of our Bermuda-domiciled captive reinsurance subsidiaries. One of our strategic priorities is to repatriate our BLAIC long-term care insurance business. The timing of the repatriation is expected to occur in 2016 or later. If we implement the repatriation (following receipt of required regulatory approvals), there will be no impact on our consolidated results of operations and financial condition prepared in accordance with U.S. GAAP as the financial impact of this reinsurance eliminates in consolidation, although there is expected to be an adverse impact on Genworth Life Insurance Company's risk-based capital ratio, depending on the specifics and timing of a transaction.

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As a result of ongoing challenges in our long-term care insurance business, we continue pursuing initiatives to improve the risk and profitability profile of our business including: premium rate increases and benefit reductions on our in-force policies; product refinements; changes to our current product offerings in certain states; new distribution strategies; investing in care coordination capabilities and service offerings; refining underwriting requirements; managing expense levels; actively exploring additional reinsurance strategies; executing investment strategies targeting higher returns; enhancing our financial and actuarial analytical capabilities; and considering other actions to improve the performance of the overall business. These efforts include a plan for significant future in-force premium rate increases on issued policies. In the third quarter of 2012, we initiated a round of long-term care insurance in-force premium rate increases on three policy series of older generation policies and on one early series of new generation policies. In the third quarter of 2013, we began filing for regulatory approval for premium rate increases on a second series of our new generation products. We continue to pursue these rate increases in the states that have either not responded, initially denied our rate increase request, or did not approve the full requested increase initially. The goal of our rate actions already implemented, as well as future rate actions, is to mitigate losses on our older generation policy series and help offset higher than priced-for loss ratios due to unfavorable performance and lower lapse rates than expected on newer generation products, with returns lower than original expectations. In addition to premium increases received, reserve levels, and thus our profitability, have been impacted, and we expect they will continue to be impacted, by policyholder behavior in response to premium rate increases which could include taking reduced benefits or non-forfeiture options. For all of these rate action filings, we received five filing approvals from five additional states in the third quarter of 2015, representing a weighted-average increase of 29% on \$9 million in annualized in-force premiums. This compares to 10 approvals from eight states in the second quarter of 2015, with a weighted-average increase of 37% on \$336 million in in-force premiums. We also submitted five new filings in five states in the third quarter of 2015, representing \$74 million in in-force premiums, versus 16 filings in 11 states in the second quarter of 2015, representing \$111 million in in-force premiums. These approvals are in line with our overall assumptions used in our 2014 margin testing. We have suspended sales in the past, and will consider taking similar actions in the future, in states where we are unable to obtain satisfactory rate increases on in-force policies as we did in Massachusetts, New Hampshire and Vermont. The approval process for in-force rate increases and the amount and timing of the rate increases approved vary by state. In certain states, the decision to approve or disapprove a rate increase can take several years. Upon approval, insureds are provided with written notice of the increase and increases are generally applied on the insured's policy anniversary date. Therefore, the benefits of any rate increase are not fully realized until the implementation cycle is complete and are therefore expected to be realized over time.

Continued low interest rates have also put pressure on the profitability and returns of our long-term care insurance business as higher yielding investments have matured and been replaced with lower-yielding investments. We seek to manage the impact of low interest rates through asset-liability management and hedging strategies for a portion of our long-term care insurance product cash flows.

Life insurance. Results of our life insurance business are impacted by sales, competitor actions, mortality, persistency, investment yields, expenses, reinsurance and statutory reserve requirements, among other factors. Additionally, sales of our products and persistency of our insurance in-force are dependent on competitive product features and pricing, underwriting, actions by rating agencies, distribution and customer service. Shifts in consumer demand, competitors' actions, relative pricing, return on capital or reinsurance decisions and other factors, such as regulatory matters affecting life insurance policy reserve levels, can also affect our sales levels.

In 2014, mortality experience was favorable to pricing expectations for term life insurance and unfavorable for universal life and term universal life insurance, but experience fluctuated from quarter to quarter. For the nine months ended September 30, 2015, our life insurance products experienced favorable mortality versus the prior year. In the third quarter of 2015, mortality experience was favorable to pricing expectations for our term life insurance products but unfavorable for our universal life and term universal life insurance products. Mortality levels may deviate each period from historical trends. Between 1999 and 2009, we had a significant increase in term life insurance sales, as compared to 1998 and prior years. As our 15-year term life insurance policies written in 1999 and 2000 transition to their post-level guaranteed premium rate period, we have experienced lower persistency compared to our pricing and valuation assumptions. In the future, as additional 10-, 15- and 20-year

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level premium period blocks enter their post-level guaranteed premium rate period, we would expect amortization of DAC to accelerate, premiums to decline and mortality to worsen and reduce profitability or create losses in our term life insurance products, in amounts that could be material, if persistency is lower than our original assumptions as it has been on our 10- and 15-year business written in 1999 and 2000.

Life insurance sales decreased 41% during the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 and decreased 20% in the third quarter of 2015 from the second quarter of 2015. The decrease in our sales was predominantly related to competitor actions in term life insurance and distributor suspensions following adverse rating actions.

During 2014, the NAIC adopted a new regulatory framework for the insurance industry's use of captive life reinsurance subsidiaries, specifically those used to finance Regulations XXX and Actuarial Guideline 38 reserves. The framework adopted by the NAIC does not apply to policies issued on or before December 31, 2014 that are currently in captive life reinsurance subsidiaries but "grandfathers" these policies prospectively. The framework assumes that Principles Based Reserving ("PBR") will be adopted and requires captives to hold collateral at a level that approximates PBR. While the use of captive life reinsurance will likely continue even with the adoption of PBR, if the use of captive life reinsurance were no longer permitted, discontinuance of our use of captive life reinsurance subsidiaries to finance statutory reserves on a prospective basis would likely increase costs related to alternative financing, such as third-party reinsurance. This, in turn, could result in potential reductions in or discontinuance of new term life insurance sales, which would adversely impact our consolidated results of operations and financial condition. In addition, we cannot be certain that affordable alternative financing would be available.

A portion of our life insurance reserves are financed through captive reinsurance structures. The financing cost of certain captive reinsurance structures is determined in part by the financial strength ratings of our principal life insurance subsidiaries. As a result of the ratings downgrade of our principal life insurance subsidiaries in February 2015, the cost of financing increased for a portion of our captive-financed reserves by approximately \$4 million per quarter. We are actively pursuing strategies to partially mitigate the negative impact of the increased financing cost through the use of reinsurance or the refinancing of existing reinsurance.

Fixed annuities. Results of our fixed annuities business are affected by investment performance, interest rate levels, slope of the interest rate yield curve, net interest spreads, equity market conditions, mortality, persistency, expense and commission levels, new product sales, competitor actions and competitiveness of our offerings. Our competitive position within many of our distribution channels and our ability to grow this business depends on many factors, including product offerings, relative pricing and our overall ratings.

In fixed annuities, sales may fluctuate as a result of consumer demand, actions by rating agencies, competitor actions, changes in interest rates, credit spreads, relative pricing, return on capital decisions and our approach to managing risk. We monitor and change prices and crediting rates on fixed annuities on a regular basis to maintain spreads and targeted returns. We have targeted distributors and producers and maintained sales capabilities that align with our strategy. Equity market performance and volatility could result in additional gains or losses, although associated hedging activities are expected to partially mitigate these impacts. Refinements of product offerings and related pricing, including ongoing evaluation of commission structures and changes in investment strategies, support our objective of achieving appropriate risk-adjusted returns.

Although sales of fixed annuities increased 16% in the third quarter of 2015 from the second quarter of 2015 due to competitive pricing, sales decreased 39% during the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. The decrease was largely as a result of distributor actions. Following adverse rating actions after the announcement of our results for the third and fourth quarters of 2014, several of our distributors suspended distribution of our products. Those distributors made up approximately 36% of sales of our fixed annuity products for the year ended December 31, 2014. We expect that we will continue to be adversely impacted by these recent rating actions. In addition, we cannot predict the outcome of future rating

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agency reviews and their potential impacts on our fixed annuity sales. To date, we have not observed any significant increases in lapses of in-force contracts as a result of our rating downgrades.

The Department of Labor has re-issued a proposed fiduciary standard rule for qualified plans that would, as presently proposed, include fixed annuities within its scope. It could make the sale of fixed annuities to qualified plans less attractive to distributors and thus potentially have a negative impact on our ability to grow or maintain current levels of sales in this market.

Runoff

Results of our Runoff segment are affected by investment performance, interest rate levels, net interest spreads, equity market conditions, mortality, policyholder loan activity, policyholder surrenders and scheduled maturities. In addition, the results of our Runoff segment can significantly impact our operating performance, regulatory capital requirements, distributable earnings and liquidity.

We discontinued sales of our individual and group variable annuities; however, we continue to service our existing block of business and accept additional deposits on existing contracts. Since then, equity market volatility has caused fluctuations in the results of our variable annuity products and regulatory capital requirements. In the future, equity and interest rate market performance and volatility could result in additional gains or losses in our variable annuity products although associated hedging activities are expected to partially mitigate these impacts. Volatility in the results of our variable annuity products can result in favorable or unfavorable impacts on earnings and statutory capital. In addition to the use of hedging activities to help mitigate impacts related to equity market volatility and interest rate risks, in the future, we may consider reinsurance opportunities to further mitigate volatility in results and manage capital.

The results of our institutional products are impacted by scheduled maturities, as well as liquidity levels. However, we believe our liquidity planning and our asset-liability management will mitigate this risk. While we do not actively sell institutional products, we may periodically issue funding agreements for asset-liability matching purposes.

Several factors may impact the time period for these products to runoff including the specific policy types, economic conditions and management strategies.

Financial Strength Ratings

Except as disclosed below, there were no changes of the financial strength ratings of our insurance subsidiaries during the nine months ended September 30, 2015 other than the downgrades previously disclosed in our Annual Report on Form 10-K filed on March 2, 2015.

On September 14, 2015, S&P raised the financial strength ratings of GMICO and Genworth Residential Mortgage Insurance Corporation of North Carolina to “BB+” from “BB-.” On October 1, 2015, we merged Genworth Residential Mortgage Insurance Corporation of North Carolina into GMICO.

On September 14, 2015, S&P also re-assigned a negative outlook on our financial strength ratings on our U.S. life insurance companies reflecting execution risk, citing significant challenges in implementing a successful turnaround strategy in our U.S. Life Insurance Division. S&P’s outlook had temporarily been on “CreditWatch-Developing” following our disclosures of a potential sale of Genworth Life and Annuity Insurance Company (“GLAIC”), our indirect wholly-owned subsidiary. The continued negative outlook on our holding company reflects S&P’s concerns regarding our life insurance companies, dividend capacity and reliance on asset sales. The negative outlook on our U.S. mortgage insurance companies accompanied the two notch upgrade and reflects select risks across the group and their potential influence on the overall group credit profile. A

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primary risk they state is that the anticipated capital rebuilding process across our U.S. life and U.S. mortgage insurance businesses could be slowed or impaired.

On August 5, 2015, A.M. Best Company, Inc. (“A.M. Best”) assigned a negative outlook on our U.S. life insurance financial strength ratings reflecting concerns with the volatility of our earnings, lack of growth in our life and annuity operations and challenges to improve sales following the recent review of strategic alternatives, as well as the inherent volatility of our long-term care insurance business. A.M. Best’s outlook had temporarily been on “Under Review-Developing” following our disclosures of a potential sale of GLAIC.

As previously disclosed, on February 11, 2015, Moody’s Investors Service, Inc. (“Moody’s”) downgraded our U.S. life insurance financial strength ratings one-notch. At the same time, Moody’s assigned a negative outlook citing significant exposure to adversely performing legacy long-term care insurance business and challenges in rebuilding our traditional life insurance sales.

As discussed above, the rating agencies have placed certain of our subsidiaries on negative outlook, which creates a meaningful risk of further downgrades. For a discussion of the risks associated with ratings actions, see “Item 1A Risk Factors—Recent adverse rating agency actions have resulted in a loss of business and adversely affected our results of operations, financial condition and business and future adverse rating actions could have a further and more significant adverse impact on us” in our 2014 Annual Report on Form 10-K.

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Consolidated Results of Operations

The following is a discussion of our consolidated results of operations and should be read in conjunction with “—Business trends and conditions.” For a discussion of our segment results, see “—Results of Operations and Selected Financial and Operating Performance Measures by Segment.”

Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

The following table sets forth the consolidated results of operations for the periods indicated:

(Amounts in millions)	Three months ended September 30,		Increase (decrease) and percentage change	
	2015	2014	2015 vs. 2014	
Revenues:				
Premiums	\$ 1,145	\$ 1,210	\$ (65)	(5)%
Net investment income	783	778	5	1%
Net investment gains (losses)	(51)	(27)	(24)	(89)%
Insurance and investment product fees and other	223	229	(6)	(3)%
Total revenues	<u>2,100</u>	<u>2,190</u>	<u>(90)</u>	<u>(4)%</u>
Benefits and expenses:				
Benefits and other changes in policy reserves	1,290	1,934	(644)	(33)%
Interest credited	179	185	(6)	(3)%
Acquisition and operating expenses, net of deferrals	314	284	30	11%
Amortization of deferred acquisition costs and intangibles	563	113	450	NM ⁽¹⁾
Goodwill impairment	—	550	(550)	(100)%
Interest expense	105	104	1	1%
Total benefits and expenses	<u>2,451</u>	<u>3,170</u>	<u>(719)</u>	<u>(23)%</u>
Loss from continuing operations before income taxes	(351)	(980)	629	64%
Benefit for income taxes	(134)	(187)	53	28%
Loss from continuing operations	(217)	(793)	576	73%
Income (loss) from discontinued operations, net of taxes	(21)	6	(27)	NM ⁽¹⁾
Net loss	(238)	(787)	549	70%
Less: net income attributable to noncontrolling interests	46	57	(11)	(19)%
Net loss available to Genworth Financial, Inc.’s common stockholders	<u>\$ (284)</u>	<u>\$ (844)</u>	<u>\$ 560</u>	<u>66%</u>

(1) We define “NM” as not meaningful for increases or decreases greater than 200%.

Premiums. Premiums consist primarily of premiums earned on insurance products for mortgage, long-term care, life and accident and health insurance, single premium immediate annuities and structured settlements with life contingencies.

- Our U.S. Life Insurance segment decreased \$37 million. Our fixed annuities business decreased \$37 million principally related to lower sales of our life-contingent products in the current year. Our life insurance business decreased \$31 million largely from the recapture of a reinsurance agreement in the prior year that did not recur and higher reinsurance in the current year. Our long-term care insurance business increased \$31 million largely from \$25 million of higher premiums in the current year from in-force rate actions approved and implemented.
- Our International Mortgage Insurance segment decreased \$27 million primarily from a decrease of \$46 million attributable to changes in foreign exchange rates. Our Canadian mortgage insurance business decreased \$14 million driven by a decrease of \$21 million attributable to changes in foreign exchange

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rates in the current year. Excluding the effects of foreign exchange, our Canadian mortgage insurance business increased from the seasoning of our larger in-force blocks of business in the current year. Our Australian mortgage insurance business decreased \$13 million primarily from a decrease of \$23 million attributable to changes in foreign exchange rates in the current year. Excluding the effects of foreign exchange, our Australian mortgage insurance business increased primarily as a result of an adjustment of \$8 million relating to refinements to premium recognition factors, partially offset by a decrease in premiums from lower flow volume in the current year.

Net investment income. Net investment income represents the income earned on our investments.

- Annualized weighted-average investment yields were 4.5% for the three months ended September 30, 2015 and 2014. Annualized weighted-average investment yields remained unchanged from the prior year primarily attributable to a \$19 million lower unfavorable prepayment speed adjustment on structured securities, partially offset by lower gains of \$6 million related to limited partnerships, \$5 million of lower gains related to bond calls and mortgage prepayments and lower yields on higher average invested assets in the current year.
- The three months ended September 30, 2015 included a decrease of \$13 million attributable to changes in foreign exchange rates.

Net investment gains (losses). Net investment gains (losses) consist primarily of realized gains and losses from the sale or impairment of our investments and unrealized and realized gains and losses from our trading securities and derivative instruments. For further discussion of the change in net investment gains (losses), see the comparison for this line item under “—Investments and Derivative Instruments.”

- We recorded \$3 million of higher net other-than-temporary impairments during the three months ended September 30, 2015. Of total impairments of \$9 million recorded during the three months ended September 30, 2015, \$6 million related to corporate securities, \$2 million related to structured securities and \$1 million related to commercial mortgage loans. Of total impairments of \$6 million recorded during the three months ended September 30, 2014, \$4 million related to financial hybrid securities as a result of certain banks being downgraded to below investment grade and \$1 million related to structured securities.
- Net investment losses related to derivatives of \$53 million during the three months ended September 30, 2015 were primarily associated with hedging programs for our runoff variable annuity products, including decreases in the values of instruments used to protect statutory surplus from equity market fluctuation. We also had losses related to derivatives used to hedge foreign currency risk associated with assets held and losses related to a non-qualified derivative strategy to mitigate interest rate risk associated with our statutory capital position. These losses were partially offset by gains related to derivatives used to hedge foreign currency risk associated with expected dividend payments from certain foreign subsidiaries.

Net investment losses related to derivatives of \$38 million during the three months ended September 30, 2014 were primarily associated with hedging programs for our runoff variable annuity products, including decreases in the values of instruments used to protect statutory surplus from equity market fluctuation. We also had losses related to derivatives used to hedge foreign currency risk associated with assets held, as well as losses related to derivatives used to hedge our fixed indexed annuity product. These losses were partially offset by gains related to derivatives used to hedge foreign currency risk associated with expected dividend payments from certain foreign subsidiaries.

- We recorded \$4 million of losses related to the sale of available-for-sale securities during the three months ended September 30, 2015 compared to \$12 million of gains during the three months ended September 30, 2014. We recorded higher net gains of \$8 million related to trading securities during the three months ended September 30, 2015 due to unrealized gains resulting from changes in the long-term interest rate environment in the current year.

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Insurance and investment product fees and other. Insurance and investment product fees and other consist primarily of fees assessed against policyholder and contractholder account values, surrender charges, cost of insurance assessed on universal and term universal life insurance policies, advisory and administration service fees assessed on investment contractholder account values, broker/dealer commission revenues and other fees.

- Our U.S. Life Insurance segment decreased \$9 million from our life insurance business largely related to lower production and a decrease in our term universal and universal life insurance in-force blocks in the current year.
- Our Runoff segment decreased \$7 million mainly attributable to lower account values in our variable annuity products in the current year.
- Our International Mortgage Insurance segment increased \$5 million primarily due to losses on non-functional currency transactions attributable to changes in foreign exchange rates on intercompany loans related to our Australian mortgage insurance business in the prior year that did not recur.
- Corporate and Other activities increased \$3 million attributable to losses in the prior year from non-functional currency transactions attributable to changes in foreign exchange rates related to intercompany transactions.

Benefits and other changes in policy reserves. Benefits and other changes in policy reserves consist primarily of claim costs incurred related to mortgage insurance products and benefits paid and reserve activity related to current claims and future policy benefits on insurance and investment products for long-term care, life and accident and health insurance, structured settlements and single premium immediate annuities with life contingencies.

- Our U.S. Life Insurance segment decreased \$567 million. Our long-term care insurance business decreased \$488 million principally from a \$531 million increase in claim reserves, net of reinsurance, in the prior year. In the third quarter of 2014, we completed a comprehensive review of our claim reserves which included changes to our assumptions and methodologies primarily impacting claim terminations, most significantly in later-duration claims, and benefit utilization reflecting that claimants are staying on claim longer and utilizing more of their available benefits in aggregate than had previously been assumed in our reserve calculations. During the third quarter of 2014, we also recorded a \$54 million unfavorable correction, net of reinsurance, related to a calculation of benefit utilization for policies with a benefit inflation option that did not recur. These decreases were partially offset by aging and growth of the in-force block, higher severity and frequency on new claims and unfavorable corrections of \$20 million principally related to reinsurance and a return of premium benefit reserve in the current year. Our life insurance business decreased \$45 million primarily related to favorable mortality in our universal and term life insurance products and the recapture of a reinsurance agreement in the prior year related to our term life insurance products that did not recur. These decreases were partially offset by a favorable unlocking of \$23 million in our term universal and universal life insurance products related to mortality and interest assumptions in the prior year that did not recur and unfavorable mortality in our term universal life insurance product in the current year. Our fixed annuities business decreased \$34 million largely attributable to lower sales of our life-contingent products and lower interest credited on reserves, partially offset by unfavorable mortality in the current year.
- Our U.S. Mortgage Insurance segment decreased \$78 million primarily driven by an aggregate increase in our claim reserves of \$53 million in the prior year in connection with the settlement agreement with Bank of America, N.A. and discussions with another servicer in an effort to resolve pending disputes over loss mitigation activities that did not recur. The decrease was also attributable to a continued decline in new delinquencies primarily in our 2005 through 2008 book years, lower reserves on new delinquencies from continued improvement in economic conditions and improved net cures and aging of existing delinquencies in the current year.

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- Our International Mortgage Insurance segment decreased \$4 million primarily as a result of a decrease of \$13 million attributable to changes in foreign exchange rates. Other Countries decreased \$5 million primarily in Ireland driven by lower new delinquencies and improved aging on our existing delinquencies, partially offset by lower cures in the current year mainly attributable to a lender settlement in the fourth quarter of 2014. Our Canadian mortgage insurance business decreased \$4 million driven by a decrease of \$5 million attributable to changes in foreign exchange rates in the current year. Excluding the effects of foreign exchange, our Canadian mortgage insurance business increased primarily from a higher average reserve per delinquency related to higher severity in certain regions and a modest increase in the number of new delinquencies, net of cures, in the current year. Our Australian mortgage insurance business increased \$5 million primarily driven by an increase in reserves of \$9 million in the current year mainly related to the estimate of the period of time it takes for a delinquent loan to be reported. The increase was partially offset by a decrease of \$7 million attributable to changes in foreign exchange rates in the current year.
- Our Runoff segment increased \$5 million primarily related to our corporate-owned life insurance products driven by unfavorable mortality and an increase in our guaranteed minimum death benefit (“GMDB”) reserves in our variable annuity products due to unfavorable equity market performance in the current year.

Interest credited. Interest credited represents interest credited on behalf of policyholder and contractholder general account balances. Our U.S. Life Insurance segment decreased \$7 million primarily related to our fixed annuities business driven by lower crediting rates and a decrease in average account values in the current year.

Acquisition and operating expenses, net of deferrals. Acquisition and operating expenses, net of deferrals, represent costs and expenses related to the acquisition and ongoing maintenance of insurance and investment contracts, including commissions, policy issuance expenses and other underwriting and general operating costs. These costs and expenses are net of amounts that are capitalized and deferred, which are costs and expenses that are related directly to the successful acquisition of new or renewal insurance policies and investment contracts, such as first-year commissions in excess of ultimate renewal commissions and other policy issuance expenses.

- Corporate and Other activities increased \$29 million mainly from higher legal accruals and expenses of \$26 million in the current year.
- Our U.S. Mortgage Insurance segment increased \$3 million primarily from higher employee compensation expense that resulted from growth in sales in the current year.
- Our Runoff segment decreased \$5 million largely related to lower commissions as a result of the runoff of our variable annuity products in the current year.

Amortization of deferred acquisition costs and intangibles. Amortization of DAC and intangibles consists primarily of the amortization of acquisition costs that are capitalized, PVFP and capitalized software.

- Our U.S. Life Insurance segment increased \$439 million principally related to our life insurance business driven mostly by an impairment of DAC of \$455 million as a result of loss recognition testing of certain term life insurance policies in the current year as part of a life block transaction, partially offset by an unfavorable unlocking of \$12 million in our term universal and universal life insurance products related to mortality and interest assumptions in the prior year that did not recur.
- Our Runoff segment increased \$12 million related to our variable annuity products principally from unfavorable equity market performance and impacts associated with our annual review of assumptions, which included a \$7 million favorable unlocking in the prior year that did not recur.

Goodwill impairment. Charges for impairment of goodwill are a result of declines in the fair value of the reporting units. The goodwill impairment charges in the third quarter of 2014 were \$200 million in our long-term care insurance business and \$350 million in our life insurance business.

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Interest expense. Interest expense represents interest related to our borrowings that are incurred at Genworth Holdings or subsidiaries and our non-recourse funding obligations and interest expense related to the Tax Matters Agreement and certain reinsurance arrangements being accounted for as deposits.

Benefit for income taxes. The effective tax rate increased to 38.1% for the three months ended September 30, 2015 from 19.1% for the three months ended September 30, 2014. The increase in the effective tax rate was primarily attributable to non-deductible goodwill impairments in the prior year and decreased benefits from lower taxed foreign income in the current year, partially offset by increased benefits from tax favored investments and true ups related to lower taxed foreign income. The three months ended September 30, 2015 included a decrease of \$9 million attributable to changes in foreign exchange rates.

Net income attributable to noncontrolling interests. Net income attributable to noncontrolling interests represents the portion of income in a subsidiary attributable to third parties. The decrease was primarily related to our Canadian mortgage insurance business as a result of lower net income in the current year, partially offset by the sale of additional shares of our Australian mortgage insurance business in May 2015, which reduced our ownership percentage to 52.0% in the current year. The three months ended September 30, 2015 included a decrease of \$9 million attributable to changes in foreign exchange rates.

Net loss available to Genworth Financial, Inc.'s common stockholders. We reported a lower net loss available to Genworth Financial, Inc.'s common stockholders in the current year primarily driven by our U.S. Life Insurance segment as a result of goodwill impairments of \$517 million in the prior year that did not recur. The prior year also included an increase of \$345 million in claim reserves, net of reinsurance, and a \$35 million unfavorable correction, net of reinsurance, related to a calculation of benefit utilization for policies with a benefit inflation option in our long-term care insurance business that did not recur. In the current year, we recorded a DAC impairment of \$296 million in our life insurance business and a \$21 million loss related to our discontinued operations. For a discussion of each of our segments and Corporate and Other activities, see the "—Results of Operations and Selected Financial and Operating Performance Measures by Segment." The net loss available to Genworth Financial, Inc.'s common stockholders for the three months ended September 30, 2015 reflected an overall decrease of \$11 million attributable to changes in foreign exchange rates.

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Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

The following table sets forth the consolidated results of operations for the periods indicated:

(Amounts in millions)	Nine months ended		Increase (decrease) and percentage change	
	September 30, 2015	2014	2015 vs. 2014	
Revenues:				
Premiums	\$ 3,422	\$ 3,486	\$ (64)	(2)%
Net investment income	2,357	2,345	12	1%
Net investment gains (losses)	(59)	(11)	(48)	NM(1)
Insurance and investment product fees and other	672	680	(8)	(1)%
Total revenues	<u>6,392</u>	<u>6,500</u>	<u>(108)</u>	<u>(2)%</u>
Benefits and expenses:				
Benefits and other changes in policy reserves	3,714	4,282	(568)	(13)%
Interest credited	540	552	(12)	(2)%
Acquisition and operating expenses, net of deferrals	876	839	37	4%
Amortization of deferred acquisition costs and intangibles	759	325	434	134%
Goodwill impairment	—	550	(550)	(100)%
Interest expense	315	327	(12)	(4)%
Total benefits and expenses	<u>6,204</u>	<u>6,875</u>	<u>(671)</u>	<u>(10)%</u>
Income (loss) from continuing operations before income taxes	188	(375)	563	150%
Provision (benefit) for income taxes	27	(16)	43	NM(1)
Income (loss) from continuing operations	161	(359)	520	145%
Income (loss) from discontinued operations, net of taxes	(334)	19	(353)	NM(1)
Net loss	(173)	(340)	167	49%
Less: net income attributable to noncontrolling interests	150	144	6	4%
Net loss available to Genworth Financial, Inc.'s common stockholders	<u>\$ (323)</u>	<u>\$ (484)</u>	<u>\$ 161</u>	<u>33%</u>

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.

Premiums

- Our International Mortgage Insurance segment decreased \$73 million primarily from a decrease of \$102 million attributable to changes in foreign exchange rates in the current year. Our Canadian mortgage insurance business decreased \$37 million driven by a decrease of \$48 million attributable to changes in foreign exchange rates in the current year. Excluding the effects of foreign exchange, our Canadian mortgage insurance business increased primarily from the seasoning of our larger in-force blocks of business in the current year. Our Australian mortgage insurance business decreased \$33 million driven by a decrease of \$50 million attributable to changes in foreign exchange rates in the current year. Excluding the effects of foreign exchange, our Australian mortgage insurance business increased primarily as a result of the seasoning of our in-force blocks of business, an adjustment of \$8 million relating to refinements to premium recognition factors and higher premiums resulting from policy cancellations and refunds in the current year. These increases were partially offset by a decrease in premiums from lower flow volume and higher ceded reinsurance premiums in the current year. Other Countries decreased \$3 million primarily from a decrease of \$4 million attributable to changes in foreign exchange rates in the current year.

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- Our U.S. Life Insurance segment decreased \$11 million. Our fixed annuities business decreased \$49 million principally from lower sales of our life-contingent products in the current year. Our life insurance business decreased \$37 million primarily related to higher reinsurance, lapse experience and lower production in the current year. Our long-term care insurance business increased \$75 million largely from \$65 million of higher premiums in the current year from in-force rate actions approved and implemented.
- Our U.S. Mortgage Insurance segment increased \$22 million mainly attributable to higher average flow insurance in-force, partially offset by higher ceded reinsurance premiums and an accrual for premium refunds related to policy cancellations in the current year.

Net investment income

- Annualized weighted-average investment yields were 4.5% and 4.6% for the nine months ended September 30, 2015 and 2014, respectively. Annualized weighted-average investment yields decreased primarily attributable to lower reinvestment yields on higher average invested assets in the current year. These decreases were partially offset by an \$18 million lower unfavorable prepayment speed adjustment on structured securities and higher gains of \$9 million related to bond calls and mortgage prepayments in the current year.
- The nine months ended September 30, 2015 included a decrease of \$30 million attributable to changes in foreign exchange rates.

Net investment gains (losses). For further discussion of the change in net investment gains (losses), see the comparison for this line item under “—Investments and Derivative Instruments.”

- We recorded \$3 million of higher net other-than-temporary impairments during the nine months ended September 30, 2015. Of total impairments of \$12 million recorded during the nine months ended September 30, 2015, \$6 million related to corporate securities. During the nine months ended September 30, 2015 and 2014, we recorded impairments of \$4 million and \$3 million, respectively, related to commercial mortgage loans and \$2 million and \$1 million, respectively, related to structured securities. Impairments related to financial hybrid securities as a result of certain banks being downgraded to below investment grade were \$4 million during the nine months ended September 30, 2014.
- Net investment losses related to derivatives of \$79 million during the nine months ended September 30, 2015 were primarily associated with hedging programs for our runoff variable annuity products, including decreases in the values of instruments used to protect statutory surplus from equity market fluctuation. We also had losses related to derivatives used to hedge foreign currency risk associated with assets held and losses related to fixed indexed annuity derivatives. These losses were partially offset by gains related to derivatives to hedge foreign currency risk associated with expected dividend payments from certain foreign subsidiaries.

Net investment losses related to derivatives of \$66 million during the nine months ended September 30, 2014 were primarily associated with hedging programs for our runoff variable annuity products, including decreases in the values of instruments used to protect statutory surplus from equity market fluctuation. We also had losses related to derivatives used to hedge foreign currency risk associated with assets held and proceeds from the initial public offering (“IPO”) of our Australian mortgage insurance business and losses related to a non-qualified derivative strategy to mitigate interest rate risk with our statutory capital positions. These losses were partially offset by gains related to hedge ineffectiveness from our cash flow hedge programs for our long-term care insurance business due to a decrease in long-term interest rates. We also had gains related to derivatives used to hedge foreign currency risk associated with expected dividend payments from certain foreign subsidiaries.

- We recorded \$22 million of lower net gains related to trading securities during the nine months ended September 30, 2015 resulting from changes in the long-term interest rate environment. We recorded lower net gains of \$6 million related to the sale of available-for-sale securities during the nine months

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ended September 30, 2015. We recorded \$5 million of lower net gains related to securitization entities during the nine months ended September 30, 2015 primarily associated with lower gains on derivatives.

Insurance and investment product fees and other

- Our Runoff segment decreased \$14 million attributable to lower account values in our variable annuity products in the current year.
- Corporate and Other activities decreased \$8 million mainly as a result of higher losses in the current year from non-functional currency transactions attributable to changes in foreign exchange rates related to intercompany transactions.
- Our U.S. Life Insurance segment increased \$7 million predominantly from our life insurance business largely related to our universal life insurance products driven by higher income from certain older in-force policies and a \$4 million unfavorable correction in the prior year that did not recur. These increases were partially offset by lower production, a decrease in our term universal and universal life insurance in-force blocks and higher terminations in our term universal life insurance product in the current year.
- Our International Mortgage Insurance segment increased \$5 million primarily due to higher losses in the prior year on non-functional currency transactions attributable to changes in foreign exchange rates on remeasurement and partial payments of intercompany loans related to our Australian mortgage insurance business that did not recur.

Benefits and other changes in policy reserves

- Our U.S. Life Insurance segment decreased \$471 million. Our long-term care insurance business decreased \$341 million principally from a \$531 million increase in claim reserves, net of reinsurance, in the prior year. In the third quarter of 2014, we completed a comprehensive review of our claim reserves which included changes to our assumptions and methodologies primarily impacting claim terminations, most significantly in later-duration claims, and benefit utilization reflecting that claimants are staying on claim longer and utilizing more of their available benefits in aggregate than had previously been assumed in our reserve calculations. During the third quarter of 2014, we also recorded a \$54 million unfavorable correction, net of reinsurance, related to a calculation of benefit utilization for policies with a benefit inflation option that did not recur. These decreases were partially offset by aging and growth of the in-force block, higher severity and frequency on new claims, a less favorable impact of \$38 million from reduced benefits related to in-force rate actions approved and implemented, net unfavorable adjustments of \$16 million predominantly reflecting a refinement to a reserve calculation on our acquired block of business and incremental reserves of \$7 million recorded in connection with an accrual for profits followed by losses in the current year. Our life insurance business decreased \$67 million primarily related to our term life insurance products largely from favorable mortality, the recapture of a reinsurance agreement in the prior year that did not recur, higher ceded reinsurance and lower reserves on older in-force blocks in the current year. The decrease was also attributable to our universal life insurance products principally from favorable mortality in the current year. These decreases were partially offset by a favorable unlocking of \$23 million in our term universal and universal life insurance products related to mortality and interest assumptions in the prior year that did not recur and unfavorable mortality in our term universal life insurance product in the current year. Our fixed annuities business decreased \$63 million predominantly attributable to lower sales of our life-contingent products, lower interest credited on reserves and favorable mortality in the current year.
- Our U.S. Mortgage Insurance segment decreased \$103 million primarily driven by an aggregate increase in our claim reserves of \$53 million in the prior year in connection with the settlement agreement with Bank of America, N.A. and discussions with another servicer in an effort to resolve

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pending disputes over loss mitigation activities as well as a net reserve strengthening of \$17 million that did not recur. The decrease was also as a result of a continued decline in new delinquencies primarily in our 2005 through 2008 book years in the current year. These decreases were partially offset by improved net cures and aging of existing delinquencies in the current year.

- Our International Mortgage Insurance segment decreased \$3 million, including a decrease of \$25 million attributable to changes in foreign exchange rates. Other Countries decreased \$7 million primarily in Ireland driven by lower new delinquencies, improved aging on our existing delinquencies and a decrease of \$2 million attributable to changes in foreign exchange rates, partially offset by lower cures in the current year mainly attributable to a lender settlement in the fourth quarter of 2014. Our Canadian mortgage insurance business increased \$1 million primarily from a higher average reserve per delinquency related to higher severity in certain regions and an increase in the number of new delinquencies, net of cures, partially offset by a decrease of \$10 million attributable to changes in foreign exchange rates in the current year. Our Australian mortgage insurance business increased \$3 million primarily from an increase in reserves of \$9 million in the current year mainly related to the estimate of the period of time it takes for a delinquent loan to be reported, a higher number of new delinquencies, net of cures, and an increase in the average claim payment in the current year. Partially offsetting these increases was a favorable adjustment of \$7 million in the first quarter of 2015 related to the expected recovery of claims paid in prior periods and a decrease of \$13 million attributable to changes in foreign exchange rates.
- Our Runoff segment increased \$9 million primarily attributable to unfavorable mortality and an increase in our GMDB reserves in our variable annuity products due to unfavorable equity market performance in the current year.

Interest credited

- Our U.S. Life Insurance segment decreased \$16 million mainly related to our fixed annuities business driven by lower crediting rates and a decrease in average account values in the current year.
- Our Runoff segment increased \$4 million largely related to higher cash values in our corporate-owned life insurance products in the current year.

Acquisition and operating expenses, net of deferrals

- Corporate and Other activities increased \$25 million increased mainly from higher legal accruals and expenses of \$30 million, partially offset by lower net expenses after allocations to our operating segments in the current year.
- Our U.S. Life Insurance segment increased \$16 million. Our long-term care insurance business increased \$12 million from an unfavorable correction related to premium taxes in the current year. Our life insurance business increased \$4 million largely from higher net commissions due to lower deferral rates on older in-force blocks and an unfavorable correction of \$2 million related to premium taxes, partially offset by lower production in the current year.
- Our U.S. Mortgage Insurance segment increased \$11 million primarily from higher employee compensation expense that resulted from growth in sales, higher premium taxes mainly attributable to higher production and a write-off of software in the current year.
- Our International Mortgage Insurance segment decreased \$10 million primarily from a decrease of \$19 million attributable to changes in foreign exchange rates in the current year. Our Canadian mortgage insurance business decreased \$17 million mainly driven by an early redemption payment of \$6 million in May 2014 related to the redemption of Genworth Canada's senior notes that were scheduled to mature in 2015 that did not recur. The decrease was also attributable to lower stock-based compensation expense and a decrease of \$5 million attributable to changes in foreign exchange rates in the current year. Our Australian mortgage insurance business increased \$7 million primarily from

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higher operating expenses in the current year related to contract fees and an early debt redemption payment of \$2 million in July 2015 related to the redemption of AUD\$90 million of Genworth Financial Mortgage Insurance Pty Limited's subordinated floating rate notes that were scheduled to mature in 2021. Partially offsetting these increases was a decrease of \$12 million attributable to changes in foreign exchange rates in the current year.

- Our Runoff segment decreased \$5 million largely related to lower commissions as a result of the runoff of our variable annuity products in the current year.

Amortization of deferred acquisition costs and intangibles

- Our U.S. Life Insurance segment increased \$431 million. Our life insurance business increased \$446 million largely from an impairment of DAC of \$455 million as a result of loss recognition testing of certain term life insurance policies in the current year as part of a life block transaction and higher lapses in our term life insurance products. These increases were partially offset by an unfavorable unlocking of \$12 million in our term universal and universal life insurance products related to mortality and interest assumptions in the prior year that did not recur. Our fixed annuities business decreased \$11 million largely attributable to higher net investment losses in the current year. Our long-term care insurance business decreased \$4 million largely related to the write-off of PVFP in connection with our annual loss recognition testing completed in the fourth quarter of 2014 which resulted in lower amortization in the current year.
- Our Runoff segment increased \$6 million related to our variable annuity products principally from impacts associated with our annual review of assumptions, which included a \$7 million favorable unlocking in the prior year that did not recur, partially offset by unfavorable equity market performance in the current year.

Goodwill impairment. The goodwill impairment charges in the third quarter of 2014 were \$200 million in our long-term care insurance business and \$350 million in our life insurance business.

Interest expense

- Corporate and Other activities decreased \$14 million largely driven by the repayment of \$485 million of senior notes in June 2014.
- Our U.S. Life Insurance segment increased \$5 million as a result of our life insurance business principally from the impact of credit rating downgrades of our life insurance subsidiaries which increased the cost of financing term life insurance reserves in the current year.

Provision (benefit) for income taxes. The effective tax rate increased to 14.3% for the nine months ended September 30, 2015 from 4.3% for the nine months ended September 30, 2014. The increase in the effective tax rate was primarily attributable to non-deductible goodwill impairments in the prior year and decreased benefits from lower taxed foreign income, partially offset by prior year true ups related to lower taxed foreign income and increased benefits from tax favored investments. The nine months ended September 30, 2015 included a decrease of \$22 million attributable to changes in foreign exchange rates.

Net income attributable to noncontrolling interests. The increase primarily related to the IPO of our Australian mortgage insurance business in May 2014, which reduced our ownership percentage to 66.2%, and the sale of additional shares in May 2015, which further reduced our ownership percentage to 52.0% in the current year. The nine months ended September 30, 2015 included a decrease of \$23 million attributable to changes in foreign exchange rates.

Net loss available to Genworth Financial, Inc.'s common stockholders. We reported a lower net loss available to Genworth Financial, Inc.'s common stockholders in the current year primarily driven by our U.S.

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Life Insurance segment as a result of goodwill impairments of \$517 million in the prior year that did not recur. The prior year also included an increase of \$345 million in claim reserves, net of reinsurance, and a \$35 million unfavorable correction, net of reinsurance, related to a calculation of benefit utilization for policies with a benefit inflation option in our long-term care insurance business that did not recur. In the current year, we recorded a DAC impairment of \$296 million in our life insurance business and a \$334 million loss related to our discontinued operations. For a discussion of each of our segments and Corporate and Other activities, see the “—Results of Operations and Selected Financial and Operating Performance Measures by Segment.” The net loss available to Genworth Financial, Inc.’s common stockholders for the nine months ended September 30, 2015 reflected an overall decrease of \$31 million attributable to changes in foreign exchange rates.

Reconciliation of net loss to net operating income (loss)

Net operating income for the three months ended September 30, 2015 was \$64 million compared to a net operating loss of \$323 million for the three months ended September 30, 2014. Net operating income for the nine months ended September 30, 2015 was \$337 million compared to \$17 million for the nine months ended September 30, 2014. We define net operating income (loss) as income (loss) from continuing operations excluding the after-tax effects of income attributable to noncontrolling interests, net investment gains (losses), goodwill impairments, gains (losses) on the sale of businesses, gains (losses) on the early extinguishment of debt, gains (losses) on insurance block transactions, restructuring costs and infrequent or unusual non-operating items. Gains (losses) on insurance block transactions are defined as gains (losses) on the early extinguishment of non-recourse funding obligations, early termination fees for other financing restructuring and/or resulting gains (losses) on reinsurance restructuring for certain blocks of business. We exclude net investment gains (losses) and infrequent or unusual non-operating items because we do not consider them to be related to the operating performance of our segments and Corporate and Other activities. A component of our net investment gains (losses) is the result of impairments, the size and timing of which can vary significantly depending on market credit cycles. In addition, the size and timing of other investment gains (losses) can be subject to our discretion and are influenced by market opportunities, as well as asset-liability matching considerations. Goodwill impairments, gains (losses) on the sale of businesses, gains (losses) on the early extinguishment of debt, gains (losses) on insurance block transactions and restructuring costs are also excluded from net operating income (loss) because, in our opinion, they are not indicative of overall operating trends. Infrequent or unusual non-operating items are also excluded from net operating income (loss) if, in our opinion, they are not indicative of overall operating trends.

While some of these items may be significant components of net income available to Genworth Financial, Inc.’s common stockholders in accordance with U.S. GAAP, we believe that net operating income (loss), and measures that are derived from or incorporate net operating income (loss), are appropriate measures that are useful to investors because they identify the income (loss) attributable to the ongoing operations of the business. Management also uses net operating income (loss) as a basis for determining awards and compensation for senior management and to evaluate performance on a basis comparable to that used by analysts. However, the items excluded from net operating income (loss) have occurred in the past and could, and in some cases will, recur in the future. Net operating income (loss) is not a substitute for net income (loss) available to Genworth Financial, Inc.’s common stockholders determined in accordance with U.S. GAAP. In addition, our definition of net operating income (loss) may differ from the definitions used by other companies.

In the first quarter of 2015, we modified our definition to explicitly state that restructuring costs, which were previously included in the infrequent and unusual category, are excluded from net operating income (loss). In the second quarter of 2015, we recorded a \$2 million after-tax expense related to restructuring costs as part of an expense reduction plan as we evaluate and appropriately size our organizational needs and expenses.

In the third quarter of 2014, we recorded goodwill impairments of \$167 million, net of taxes, in our long-term care insurance business and \$350 million, net of taxes, in our life insurance business.

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In the third quarter of 2015, we paid an early redemption payment of approximately \$1 million, net of taxes and portion attributable to noncontrolling interests, related to the early redemption of Genworth Financial Mortgage Insurance Pty Limited's notes that were scheduled to mature in 2021. In the third quarter of 2015, we also repurchased approximately \$50 million principal amount of Genworth Holdings, Inc.'s notes with various maturity dates for a loss of \$1 million, net of taxes. In the second quarter of 2014, we paid an early redemption payment of approximately \$2 million, net of taxes and portion attributable to noncontrolling interests, related to the early redemption of Genworth Canada's notes that were scheduled to mature in 2015. These transactions were excluded from net operating income (loss) for the periods presented as they related to the loss on the early extinguishment of debt.

In the third quarter of 2015, we recorded a DAC impairment of \$296 million, net of taxes, on certain term life insurance policies in connection with entering into an agreement to complete a life block transaction.

There were no infrequent or unusual items excluded from net operating income (loss) during the periods presented other than the following item. We recognized a tax charge of \$7 million in the third quarter of 2015 from potential business portfolio changes related to our mortgage insurance business in Europe.

The following table includes a reconciliation of net loss available to Genworth Financial, Inc.'s common stockholders to net operating income (loss) for the periods indicated:

(Amounts in millions)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net loss available to Genworth Financial, Inc.'s common stockholders	\$ (284)	\$ (844)	\$ (323)	\$ (484)
Net income attributable to noncontrolling interests	46	57	150	144
Net loss	(238)	(787)	(173)	(340)
Income (loss) from discontinued operations, net of taxes	(21)	6	(334)	19
Income (loss) from continuing operations	(217)	(793)	161	(359)
Less: net income attributable to noncontrolling interests	46	57	150	144
Income (loss) from continuing operations available to Genworth Financial, Inc.'s common stockholders	(263)	(850)	11	(503)
Adjustments to income (loss) from continuing operations available to Genworth Financial, Inc.'s common stockholders:				
Net investment (gains) losses, net	22	10	19	1
Goodwill impairment, net	—	517	—	517
(Gains) losses on early extinguishment of debt, net	2	—	2	2
(Gains) losses from life block transactions, net	296	—	296	—
Expenses related to restructuring, net	—	—	2	—
Tax impact from potential business portfolio changes	7	—	7	—
Net operating income (loss)	\$ 64	\$ (323)	\$ 337	\$ 17

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Earnings (loss) per share

The following table provides basic and diluted net income (loss) available to Genworth Financial, Inc.'s common stockholders and net operating income (loss) per common share for the periods indicated:

(Amounts in millions, except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Income (loss) from continuing operations available to Genworth Financial, Inc.'s common stockholders per common share:				
Basic	\$ (0.53)	\$ (1.71)	\$ 0.02	\$ (1.01)
Diluted	\$ (0.53)	\$ (1.71)	\$ 0.02	\$ (1.01)
Net loss available to Genworth Financial, Inc.'s common stockholders per common share:				
Basic	\$ (0.57)	\$ (1.70)	\$ (0.65)	\$ (0.98)
Diluted	\$ (0.57)	\$ (1.70)	\$ (0.65)	\$ (0.98)
Net operating income (loss) per common share:				
Basic	\$ 0.13	\$ (0.65)	\$ 0.68	\$ 0.03
Diluted	\$ 0.13	\$ (0.65)	\$ 0.68	\$ 0.03
Weighted-average common shares outstanding:				
Basic	497.4	496.6	497.3	496.4
Diluted ⁽¹⁾	497.4	496.6	499.0	496.4

(1) Under applicable accounting guidance, companies in a loss position are required to use basic weighted-average common shares outstanding in the calculation of diluted loss per share. Therefore, as a result of our loss from continuing operations available to Genworth Financial, Inc.'s common stockholders, net loss available to Genworth Financial, Inc.'s common stockholders and net operating loss, in each case, for the three months ended September 30, 2015 and 2014, we were required to use basic weighted-average common shares outstanding in the calculation of diluted loss per share for the three months ended September 30, 2015 and 2014, as the inclusion of shares for stock options, restricted stock units and stock appreciation rights of 1.3 million and 5.4 million, respectively, would have been antidilutive to the calculation. If we had not incurred a loss from continuing operations available to Genworth Financial, Inc.'s common stockholders, net loss available to Genworth Financial, Inc.'s common stockholders and net operating loss, in each case, for the three months ended September 30, 2015 and 2014, dilutive potential weighted-average common shares outstanding would have been 498.7 million and 502.0 million, respectively. Since we had net operating income for the three months ended September 30, 2015, we used 498.7 million diluted weighted-average common shares outstanding in the calculation of diluted net operating income per common share. As a result of our loss from continuing operations available to Genworth Financial, Inc.'s common stockholders and net loss available to Genworth Financial, Inc.'s common stockholders, in each case, for the nine months ended September 30, 2014, we were required to use basic weighted-average common shares outstanding in the calculation of diluted loss per share for the nine months ended September 30, 2014, as the inclusion of shares for stock options, restricted stock units and stock appreciation rights of 6.4 million would have been antidilutive to the calculation. If we had not incurred a loss from continuing operations available to Genworth Financial, Inc.'s common stockholders and net loss available to Genworth Financial, Inc.'s common stockholders, in each case, for the nine months ended September 30, 2014, dilutive potential weighted-average common shares outstanding would have been 502.8 million. Since we had net operating income for the nine months ended September 30, 2014, we used 502.8 million diluted weighted-average common shares outstanding in the calculation of diluted net operating income per common share.

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Diluted weighted-average common shares outstanding reflect the effects of potentially dilutive securities including stock options, restricted stock units and other equity-based compensation.

Results of Operations and Selected Financial and Operating Performance Measures by Segment

Our chief operating decision maker evaluates segment performance and allocates resources on the basis of net operating income (loss). See note 11 in our unaudited condensed consolidated financial statements under “Item 1—Financial Statements” for a reconciliation of net operating income (loss) of our segments and Corporate and Other activities to net income (loss) available to Genworth Financial, Inc.’s common stockholders.

In the first quarter of 2015, we revised how we allocate our consolidated provision for income taxes to our operating segments to simplify our process and reflect how our chief operating decision maker is evaluating segment performance. Our revised methodology applies a specific tax rate to the pre-tax income (loss) of each segment, which is then adjusted in each segment to reflect the tax attributes of items unique to that segment such as foreign income. The difference between the consolidated provision for income taxes and the sum of the provision for income taxes in each segment is reflected in Corporate and Other activities. Previously, we calculated a unique income tax provision for each segment based on quarterly changes to tax attributes and implications of transactions specific to each product within the segment.

The annually-determined tax rates and adjustments to each segment’s provision for income taxes are estimates which are subject to review and could change from year to year. Prior year amounts have not been re-presented to reflect this revised presentation and are, therefore, not comparable to the current year provision for income taxes by segment. However, we do not believe that the previous methodology would have resulted in a materially different segment-level provision for income taxes.

Beginning in the first quarter of 2015, the effective tax rates disclosed herein are calculated using whole dollars. As a result, the percentages shown may differ from an effective tax rate calculated using rounded numbers.

Management’s discussion and analysis by segment contains selected operating performance measures including “sales” and “insurance in-force” or “risk in-force” which are commonly used in the insurance industry as measures of operating performance.

Management regularly monitors and reports sales metrics as a measure of volume of new and renewal business generated in a period. Sales refer to: (1) new insurance written for mortgage insurance; (2) annualized first-year premiums for long-term care and term life insurance products; (3) annualized first-year deposits plus 5% of excess deposits for universal and term universal life insurance products; (4) 10% of premium deposits for linked-benefits products; and (5) new and additional premiums/deposits for fixed annuities. Sales do not include renewal premiums on policies or contracts written during prior periods. We consider new insurance written, annualized first-year premiums/deposits, premium equivalents and new premiums/deposits to be a measure of our operating performance because they represent a measure of new sales of insurance policies or contracts during a specified period, rather than a measure of our revenues or profitability during that period.

Management regularly monitors and reports insurance in-force and risk in-force. Insurance in-force for our international mortgage, U.S. mortgage and life insurance businesses is a measure of the aggregate face value of outstanding insurance policies as of the respective reporting date. For risk in-force in our international mortgage insurance business, we have computed an “effective” risk in-force amount, which recognizes that the loss on any particular loan will be reduced by the net proceeds received upon sale of the property. Effective risk in-force has been calculated by applying to insurance in-force a factor of 35% that represents our highest expected average per-claim payment for any one underwriting year over the life of our businesses in Canada and Australia. In Australia, we have certain risk share arrangements where we provide pro-rata coverage of certain loans rather than 100% coverage. As a result, for loans with these risk share arrangements, the applicable pro-rata coverage

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amount provided is used when applying the factor. Risk in-force for our U.S. mortgage insurance business is our obligation that is limited under contractual terms to the amounts less than 100% of the mortgage loan value. We consider insurance in-force and risk in-force to be measures of our operating performance because they represent measures of the size of our business at a specific date which will generate revenues and profits in a future period, rather than measures of our revenues or profitability during that period.

Management also regularly monitors and reports a loss ratio for our businesses. For our mortgage insurance businesses, the loss ratio is the ratio of incurred losses and loss adjustment expenses to net earned premiums. For our long-term care insurance business, the loss ratio is the ratio of benefits and other changes in reserves less tabular interest on reserves less loss adjustment expenses to net earned premiums. We consider the loss ratio to be a measure of underwriting performance in these businesses and helps to enhance the understanding of the operating performance of our businesses.

An assumed tax rate of 35% is utilized in certain adjustments to net operating income (loss) and in the explanation of specific variances of operating performance.

These operating performance measures enable us to compare our operating performance across periods without regard to revenues or profitability related to policies or contracts sold in prior periods or from investments or other sources.

The following discussions of our segment results of operations should be read in conjunction with the “—Business trends and conditions”

Global Mortgage Insurance Division

Division results of operations

The following table sets forth the results of operations relating to our Global Mortgage Insurance Division for the periods indicated. See below for a discussion by segment.

(Amounts in millions)	Three months ended September 30,		Increase (decrease) and percentage change		Nine months ended September 30,		Increase (decrease) and percentage change	
	2015	2014	2015 vs. 2014		2015	2014	2015 vs. 2014	
Net operating income (loss):								
International Mortgage Insurance segment:								
Canada	\$ 38	\$ 46	\$ (8)	(17)%	\$ 115	\$ 134	\$ (19)	(14)%
Australia	21	48	(27)	(56)%	80	167	(87)	(52)%
Other Countries	(5)	(7)	2	29%	(16)	(18)	2	11%
International Mortgage Insurance segment	54	87	(33)	(38)%	179	283	(104)	(37)%
U.S. Mortgage Insurance segment	37	(2)	39	NM ⁽¹⁾	138	70	68	97%
Total net operating income	91	85	6	7%	317	353	(36)	(10)%
Adjustments to net operating income:								
Net investment gains (losses), net	(8)	(2)	(6)	NM ⁽¹⁾	(7)	1	(8)	NM ⁽¹⁾
Gains (losses) on early extinguishment of debt, net	(1)	—	(1)	NM ⁽¹⁾	(1)	(2)	1	50%
Tax impact from potential business portfolio changes	(7)	—	(7)	NM ⁽¹⁾	(7)	—	(7)	NM ⁽¹⁾
Income from continuing operations available to Genworth Financial, Inc.’s common stockholders	\$ 75	\$ 83	\$ (8)	(10)%	\$ 302	\$ 352	\$ (50)	(14)%

(1) We define “NM” as not meaningful for increases or decreases greater than 200%.

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International Mortgage Insurance segment

Segment results of operations

Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

The following table sets forth the results of operations relating to our International Mortgage Insurance segment for the periods indicated:

(Amounts in millions)	Three months ended September 30,		Increase (decrease) and percentage change	
	2015	2014	2015 vs. 2014	
Revenues:				
Premiums	\$ 215	\$ 242	\$ (27)	(11)%
Net investment income	60	78	(18)	(23)%
Net investment gains (losses)	(20)	(4)	(16)	NM(1)
Insurance and investment product fees and other	(2)	(7)	5	71%
Total revenues	<u>253</u>	<u>309</u>	<u>(56)</u>	<u>(18)%</u>
Benefits and expenses:				
Benefits and other changes in policy reserves	54	58	(4)	(7)%
Acquisition and operating expenses, net of deferrals	52	52	—	— %
Amortization of deferred acquisition costs and intangibles	13	15	(2)	(13)%
Interest expense	8	8	—	— %
Total benefits and expenses	<u>127</u>	<u>133</u>	<u>(6)</u>	<u>(5)%</u>
Income from continuing operations before income taxes	126	176	(50)	(28)%
Provision for income taxes	42	34	8	24%
Income from continuing operations	84	142	(58)	(41)%
Less: net income attributable to noncontrolling interests	46	57	(11)	(19)%
Income from continuing operations available to Genworth Financial, Inc.'s common stockholders	38	85	(47)	(55)%
Adjustments to income from continuing operations available to Genworth Financial, Inc.'s common stockholders:				
Net investment (gains) losses, net	8	2	6	NM(1)
(Gains) losses on early extinguishment of debt, net	1	—	1	NM(1)
Tax impact from potential business portfolio changes	7	—	7	NM(1)
Net operating income	<u>\$ 54</u>	<u>\$ 87</u>	<u>\$ (33)</u>	<u>(38)%</u>

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.

The following table sets forth net operating income (loss) for the businesses included in our International Mortgage Insurance segment for the periods indicated:

(Amounts in millions)	Three months ended September 30,		Increase (decrease) and percentage change	
	2015	2014	2015 vs. 2014	
Net operating income (loss):				
Canada	\$ 38	\$ 46	\$ (8)	(17)%
Australia	21	48	(27)	(56)%
Other Countries	(5)	(7)	2	29%
Total net operating income	<u>\$ 54</u>	<u>\$ 87</u>	<u>\$ (33)</u>	<u>(38)%</u>

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Net operating income

- Our Canadian mortgage insurance business decreased \$8 million primarily from a decrease of \$7 million attributable to changes in foreign exchange rates during the three months ended September 30, 2015.
- Our Australian mortgage insurance business decreased \$27 million primarily from higher taxes and losses in the current year. The decrease was also attributable to the sale of additional shares of this business in May 2015, which reduced our ownership percentage to 52.0%. The three months ended September 30, 2015 also included a decrease of \$6 million attributable to changes in foreign exchange rates.
- Other Countries' net operating loss decreased \$2 million primarily from lower losses in the current year.

Revenues

Premiums

- Our Canadian mortgage insurance business decreased \$14 million driven by a decrease of \$21 million attributable to changes in foreign exchange rates in the current year. Excluding the effects of foreign exchange, our Canadian mortgage insurance business increased from the seasoning of our larger in-force blocks of business in the current year.
- Our Australian mortgage insurance business decreased \$13 million primarily from a decrease of \$23 million attributable to changes in foreign exchange rates in the current year. Excluding the effects of foreign exchange, our Australian mortgage insurance business increased primarily as a result of an adjustment of \$8 million relating to refinements to premium recognition factors, partially offset by a decrease in premiums from lower flow volume in the current year.

Net investment income. Net investment income decreased \$18 million primarily from a decrease of \$13 million attributable to changes in foreign exchange rates. The decrease was also attributable to lower reinvestment yields largely related to our Australian mortgage insurance business.

Net investment gains (losses). For further discussion of the change in net investment gains (losses), see the comparison for this line item under “—Investments and Derivative Instruments.” Net investment gains (losses) decreased \$16 million mainly related to our Canadian mortgage insurance business driven by higher derivative losses largely from hedging non-functional currency transactions in the current year. The three months ended September 30, 2015 also included an increase of \$4 million attributable to changes in foreign exchange rates.

Insurance and investment product fees and other. Insurance and investment product fees and other increased \$5 million primarily due to losses on non-functional currency transactions attributable to changes in foreign exchange rates on intercompany loans related to our Australian mortgage insurance business in the prior year that did not recur.

Benefits and expenses

Benefits and other changes in policy reserves

- Our Canadian mortgage insurance business decreased \$4 million driven by a decrease of \$5 million attributable to changes in foreign exchange rates in the current year. Excluding the effects of foreign exchange, our Canadian mortgage insurance business increased primarily from a higher average reserve per delinquency related to higher severity in certain regions and a modest increase in the number of new delinquencies, net of cures, in the current year.

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- Our Australian mortgage insurance business increased \$5 million primarily driven by an increase in reserves of \$9 million in the current year mainly related to the estimate of the period of time it takes for a delinquent loan to be reported. The three months ended September 30, 2015 also included a decrease of \$7 million attributable to changes in foreign exchange rates.
- Other Countries decreased \$5 million primarily in Ireland driven by lower new delinquencies and improved aging on our existing delinquencies, partially offset by lower cures in the current year mainly attributable to a lender settlement in the fourth quarter of 2014. The three months ended September 30, 2015 also included a decrease of \$1 million attributable to changes in foreign exchange rates.

Acquisition and operating expenses, net of deferrals

- Our Canadian mortgage insurance business decreased \$2 million driven by a decrease of \$2 million attributable to changes in foreign exchange rates in the current year.
- Australian mortgage insurance business increased \$2 million primarily from higher operating expenses related to contract fees in the current year and an early debt redemption payment of \$2 million in July 2015 related to the redemption of AUD\$90 million of Genworth Financial Mortgage Insurance Pty Limited's subordinated floating rate notes that were scheduled to mature in 2021. The three months ended September 30, 2015 included a decrease of \$5 million attributable to changes in foreign exchange rates.

Provision for income taxes. The effective tax rate increased to 33.1% for the three months ended September 30, 2015 from 19.3% for the three months ended September 30, 2014. The increase in the effective tax rate was primarily attributable to prior year true ups related to tax benefits from lower taxed foreign income, lower benefits from changes in uncertain tax positions in Australia in the prior year and decreased tax benefits from lower taxed foreign income. The three months ended September 30, 2015 included a decrease of \$9 million attributable to changes in foreign exchange rates.

Net income attributable to noncontrolling interests. Net income attributable to noncontrolling interests decreased \$11 million primarily related to our Canadian mortgage insurance business as a result of lower net income in the current year, partially offset by the sale of additional shares of our Australian mortgage insurance business in May 2015, which reduced our ownership percentage to 52.0% in the current year. The three months ended September 30, 2015 also included a decrease of \$9 million attributable to changes in foreign exchange rates.

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Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

The following table sets forth the results of operations relating to our International Mortgage Insurance segment for the periods indicated:

(Amounts in millions)	Nine months ended September 30,		Increase (decrease) and percentage change	
	2015	2014	2015 vs. 2014	
Revenues:				
Premiums	\$ 641	\$ 714	\$ (73)	(10)%
Net investment income	189	227	(38)	(17)%
Net investment gains (losses)	(17)	5	(22)	NM(1)
Insurance and investment product fees and other	(4)	(9)	5	56%
Total revenues	<u>809</u>	<u>937</u>	<u>(128)</u>	<u>(14)%</u>
Benefits and expenses:				
Benefits and other changes in policy reserves	147	150	(3)	(2)%
Acquisition and operating expenses, net of deferrals	150	160	(10)	(6)%
Amortization of deferred acquisition costs and intangibles	41	45	(4)	(9)%
Interest expense	21	24	(3)	(13)%
Total benefits and expenses	<u>359</u>	<u>379</u>	<u>(20)</u>	<u>(5)%</u>
Income from continuing operations before income taxes	450	558	(108)	(19)%
Provision for income taxes	136	132	4	3%
Income from continuing operations	314	426	(112)	(26)%
Less: net income attributable to noncontrolling interests	150	144	6	4%
Income from continuing operations available to Genworth Financial, Inc.'s common stockholders	164	282	(118)	(42)%
Adjustments to income from continuing operations available to Genworth Financial, Inc.'s common stockholders:				
Net investment (gains) losses, net	7	(1)	8	NM(1)
(Gains) losses on early extinguishment of debt, net	1	2	(1)	(50)%
Tax impact from potential business portfolio changes	7	—	7	NM(1)
Net operating income	<u>\$ 179</u>	<u>\$ 283</u>	<u>\$ (104)</u>	<u>(37)%</u>

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.

The following table sets forth net operating income (loss) for the businesses included in our International Mortgage Insurance segment for the periods indicated:

(Amounts in millions)	Nine months ended September 30,		Increase (decrease) and percentage change	
	2015	2014	2015 vs. 2014	
Net operating income (loss):				
Canada	\$ 115	\$ 134	\$ (19)	(14)%
Australia	80	167	(87)	(52)%
Other Countries	(16)	(18)	2	11%
Total net operating income	<u>\$ 179</u>	<u>\$ 283</u>	<u>\$ (104)</u>	<u>(37)%</u>

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Net operating income

- Our Canadian mortgage insurance business decreased \$19 million primarily from a decrease of \$17 million attributable to changes in foreign exchange rates during the nine months ended September 30, 2015. The decrease was also attributable to higher losses and lower net investment income, partially offset by lower operating expenses and taxes in the current year.
- Our Australian mortgage insurance business decreased \$87 million primarily driven by the IPO of this business in May 2014, which reduced our ownership percentage to 66.2%. In May 2015, we sold additional shares of this business, which further reduced our ownership percentage to 52.0%. The decrease was also attributable to higher taxes, operating expenses and losses in the current year. The nine months ended September 30, 2015 also included a decrease of \$15 million attributable to changes in foreign exchange rates.
- Other Countries' net operating loss decreased \$2 million primarily from lower losses in the current year.

Revenues

Premiums

- Our Canadian mortgage insurance business decreased \$37 million driven by a decrease of \$48 million attributable to changes in foreign exchange rates in the current year. Excluding the effects of foreign exchange, our Canadian mortgage insurance business increased primarily from the seasoning of our larger in-force blocks of business in the current year.
- Our Australian mortgage insurance business decreased \$33 million driven by a decrease of \$50 million attributable to changes in foreign exchange rates in the current year. Excluding the effects of foreign exchange, our Australian mortgage insurance business increased primarily as a result of the seasoning of our in-force blocks of business, an adjustment of \$8 million relating to refinements to premium recognition factors and higher premiums resulting from policy cancellations and refunds in the current year. These increases were partially offset by a decrease in premiums from lower flow volume and higher ceded reinsurance premiums in the current year.
- Other Countries decreased \$3 million primarily from a decrease of \$4 million attributable to changes in foreign exchange rates in the current year.

Net investment income. Net investment income decreased \$38 million primarily from a decrease of \$30 million attributable to changes in foreign exchange rates. The decrease was also attributable to lower reinvestment yields related to our Canadian and Australian mortgage insurance businesses.

Net investment gains (losses). For further discussion of the change in net investment gains (losses), see the comparison for this line item under “—Investments and Derivative Instruments.” Net investment gains (losses) decreased \$22 million primarily related to our Canadian mortgage insurance business driven by higher derivative losses largely from hedging non-functional currency transactions, partially offset by higher net investment gains related to sales of securities in the current year. The nine months ended September 30, 2015 also included an increase of \$2 million attributable to changes in foreign exchange rates.

Insurance and investment product fees and other. Insurance and investment product fees and other increased \$5 million primarily due to higher losses in the prior year on non-functional currency transactions attributable to changes in foreign exchange rates on remeasurement and partial payments of intercompany loans related to our Australian mortgage insurance business that did not recur.

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Benefits and expenses

Benefits and other changes in policy reserves

- Our Canadian mortgage insurance business increased \$1 million primarily from a higher average reserve per delinquency related to higher severity in certain regions and an increase in the number of new delinquencies, net of cures, in the current year. The nine months ended September 30, 2015 also included a decrease of \$10 million attributable to changes in foreign exchange rates.
- Our Australian mortgage insurance business increased \$3 million primarily from an increase in reserves of \$9 million in the current year mainly related to the estimate of the period of time it takes for a delinquent loan to be reported, a higher number of new delinquencies, net of cures, and an increase in the average claim payment in the current year. Partially offsetting these increases was a favorable adjustment of \$7 million in the first quarter of 2015 related to the expected recovery of claims paid in prior periods. The nine months ended September 30, 2015 also included a decrease of \$13 million attributable to changes in foreign exchange rates.
- Other Countries decreased \$7 million primarily in Ireland driven by lower new delinquencies and improved aging on our existing delinquencies, partially offset by lower cures in the current year mainly attributable to a lender settlement in the fourth quarter of 2014. The nine months ended September 30, 2015 also included a decrease of \$2 million attributable to changes in foreign exchange rates.

Acquisition and operating expenses, net of deferrals

- Our Canadian mortgage insurance business decreased \$17 million mainly driven by an early redemption payment of \$6 million in May 2014 related to the redemption of Genworth Canada's senior notes that were scheduled to mature in 2015 that did not recur. The decrease was also attributable to lower stock-based compensation expense in the current year. The nine months ended September 30, 2015 included a decrease of \$5 million attributable to changes in foreign exchange rates.
- Our Australian mortgage insurance business increased \$7 million primarily from higher operating expenses in the current year related to contract fees and an early debt redemption payment of \$2 million in July 2015 related to the redemption of AUD\$90 million of Genworth Financial Mortgage Insurance Pty Limited's subordinated floating rate notes that were scheduled to mature in 2021. The nine months ended September 30, 2015 included a decrease of \$12 million attributable to changes in foreign exchange rates.

Provision for income taxes. The effective tax rate increased to 30.2% for the nine months ended September 30, 2015 from 23.7% for the nine months ended September 30, 2014. The increase in the effective tax rate was primarily attributable to decreased tax benefits from lower taxed foreign income, prior year true ups related to lower taxed foreign income and lower benefits from changes in uncertain tax positions in Australia in the prior year. The nine months ended September 30, 2015 included a decrease of \$22 million attributable to changes in foreign exchange rates.

Net income attributable to noncontrolling interests. The increase primarily related to the IPO of our Australian mortgage insurance business in May 2014, which reduced our ownership percentage to 66.2%, and the sale of additional shares in May 2015, which further reduced our ownership percentage to 52.0% in the current year. The nine months ended September 30, 2015 included a decrease of \$23 million attributable to changes in foreign exchange rates.

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International Mortgage Insurance selected operating performance measures

The following tables set forth selected operating performance measures regarding our International Mortgage Insurance segment as of or for the dates indicated:

(Amounts in millions)	As of September 30,		Increase (decrease) and percentage change	
	2015	2014	2015 vs. 2014	
Primary insurance in-force:				
Canada	\$292,000	\$310,800	\$ (18,800)	(6)%
Australia	224,100	271,100	(47,000)	(17)%
Other Countries	20,400	23,900	(3,500)	(15)%
Total	<u>\$536,500</u>	<u>\$605,800</u>	<u>\$ (69,300)</u>	<u>(11)%</u>
Risk in-force:				
Canada	\$102,200	\$108,800	\$ (6,600)	(6)%
Australia	78,400	94,900	(16,500)	(17)%
Other Countries (1)	2,300	3,300	(1,000)	(30)%
Total	<u>\$182,900</u>	<u>\$207,000</u>	<u>\$ (24,100)</u>	<u>(12)%</u>

(1) Risk in-force as of September 30, 2015 and 2014 excluded \$320 million and \$290 million, respectively, of risk in-force in Europe ceded under quota share reinsurance agreements.

(Amounts in millions)	Three months ended September 30,		Increase (decrease) and percentage change		Nine months ended September 30,		Increase (decrease) and percentage change	
	2015	2014	2015 vs. 2014		2015	2014	2015 vs. 2014	
New insurance written:								
Canada	\$ 11,400	\$ 12,400	\$ (1,000)	(8)%	\$ 28,400	\$ 30,700	\$ (2,300)	(7)%
Australia	6,300	9,100	(2,800)	(31)%	20,300	24,800	(4,500)	(18)%
Other Countries	600	400	200	50%	1,700	1,300	400	31%
Total	<u>\$ 18,300</u>	<u>\$ 21,900</u>	<u>\$ (3,600)</u>	<u>(16)%</u>	<u>\$ 50,400</u>	<u>\$ 56,800</u>	<u>\$ (6,400)</u>	<u>(11)%</u>
Net premiums written:								
Canada	\$ 204	\$ 200	\$ 4	2%	\$ 479	\$ 423	\$ 56	13%
Australia	79	130	(51)	(39)%	273	381	(108)	(28)%
Other Countries	7	6	1	17%	19	13	6	46%
Total	<u>\$ 290</u>	<u>\$ 336</u>	<u>\$ (46)</u>	<u>(14)%</u>	<u>\$ 771</u>	<u>\$ 817</u>	<u>\$ (46)</u>	<u>(6)%</u>

Primary insurance in-force and risk in-force

Our businesses in Canada and Australia currently provide 100% coverage on the majority of the loans we insure in those markets. For the purpose of representing our risk in-force, we have computed an "effective" risk in-force amount, which recognizes that the loss on any particular loan will be reduced by the net proceeds received upon sale of the property. Effective risk in-force has been calculated by applying to insurance in-force a factor that represents our highest expected average per-claim payment for any one underwriting year over the life of our businesses in Canada and Australia. For the three and nine months ended September 30, 2015 and 2014, this factor was 35%. In Australia, we have certain risk share arrangements where we provide pro-rata coverage of certain loans rather than 100% coverage. As a result, for loans with these risk share arrangements, the applicable pro-rata coverage amount provided is used when applying the factor.

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In Canada, primary insurance in-force and risk in-force decreased \$18.8 billion and \$6.6 billion, respectively, as a result of decreases of \$56.1 billion and \$19.6 billion, respectively, attributable to changes in foreign exchange rates. Excluding the effects of foreign exchange, primary insurance in-force and risk in-force increased primarily as a result of flow new insurance written and bulk activity.

In Australia, primary insurance in-force and risk in-force decreased \$47.0 billion and \$16.5 billion, respectively, driven by decreases of \$55.5 billion and \$19.4 billion, respectively, attributable to changes in foreign exchange rates. Excluding the effects of foreign exchange, primary insurance in-force and risk in-force increased primarily from flow new insurance written.

In Other Countries, primary insurance in-force and risk in-force decreased \$3.5 billion and \$1.0 billion, respectively, mainly from decreases of \$2.8 billion and \$0.3 billion, respectively, attributable to changes in foreign exchange rates and a lender settlement in Ireland in the fourth quarter of 2014, which reduced risk in-force by \$600 million.

New insurance written

For the three months ended September 30, 2015, new insurance written in Canada decreased driven by a decrease of \$2.0 billion attributable to changes in foreign exchange rates. Excluding the effects of foreign exchange, new insurance written increased as a result of higher flow new insurance written from higher market penetration in the current year. For the nine months ended September 30, 2015, new insurance written in Canada decreased driven by a decrease of \$3.9 billion attributable to changes in foreign exchange rates. Excluding the effects of foreign exchange, new insurance written increased as a result of higher flow new insurance written from higher market penetration, partially offset by lower bulk activity in the current year.

For the three months ended September 30, 2015, new insurance written in Australia decreased mainly attributable to a decrease in bulk activity in the current year. For the nine months ended September 30, 2015, new insurance written in Australia decreased mainly attributable to lower flow volume, partially offset by an increase in bulk activity in the current year. The three and nine months ended September 30, 2015 included decreases of \$1.6 billion and \$3.8 billion, respectively, attributable to changes in foreign exchange rates.

New insurance written in Other Countries increased for the three months ended September 30, 2015 primarily as a result of higher flow volume in Europe in the current year. New insurance written in Other Countries increased for the nine months ended September 30, 2015 primarily as a result of higher flow volume in Europe and a bulk transaction in Mexico in the current year. The three and nine months ended September 30, 2015 included decreases of \$100 million and \$300 million, respectively, attributable to changes in foreign exchange rates.

Net premiums written

Most of our international mortgage insurance policies provide for single premiums at the time that loan proceeds are advanced. We initially record the single premiums to unearned premium reserves and recognize the premiums earned over time in accordance with the expected pattern of risk emergence. As of September 30, 2015, our unearned premium reserves were \$2,482 million, including a decrease of \$500 million attributable to changes in foreign exchange rates, compared to \$2,806 million as of September 30, 2014.

In Canada, net premiums written increased during the three and nine months ended September 30, 2015 primarily from higher flow volume attributable to higher market penetration in the current year. In addition, the price increases on high loan-to-value premiums effective May 1, 2014 and June 1, 2015 resulted in higher net premiums written. The three and nine months ended September 30, 2015 included decreases of \$36 million and \$68 million, respectively, attributable to changes in foreign exchange rates in Canada.

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In Australia, net premiums written decreased during the three months ended September 30, 2015 primarily from lower average price due to changes in loan-to-value mix in the current year. Net premiums written decreased during the nine months ended September 30, 2015 primarily from lower flow volume and average price due to changes in loan-to-value mix, partially offset by bulk activity in the current year. The three and nine months ended September 30, 2015 included decreases of \$19 million and \$49 million, respectively, attributable to changes in foreign exchange rates in Australia.

In Other Countries, net premiums written increased during the three and nine months ended September 30, 2015 primarily from higher flow volume from new lenders in the current year. The increase during the nine months ended September 30, 2015 also attributable to lower ceded reinsurance premiums in the current year. The three and nine months ended September 30, 2015 included decreases of \$2 million and \$4 million, respectively, attributable to changes in foreign exchange rates in Other Countries.

Loss and expense ratios

The following table sets forth the loss and expense ratios for our International Mortgage Insurance segment for the dates indicated:

	Three months ended September 30,		Increase (decrease) 2015 vs. 2014	Nine months ended September 30,		Increase (decrease) 2015 vs. 2014
	2015	2014		2015	2014	
Loss ratio:						
Canada	21%	21%	— %	20%	18%	2%
Australia	29%	21%	8%	24%	21%	3%
Other Countries	48%	105%	(57)%	58%	83%	(25)%
Total	25%	24%	1%	23%	21%	2%
Expense ratio:						
Canada	12%	14%	(2)%	16%	23%	(7)%
Australia	40%	23%	17%	32%	22%	10%
Other Countries	132%	150%	(18)%	133%	215%	(82)%
Total	23%	20%	3%	25%	25%	— %

The loss ratio is the ratio of incurred losses and loss adjustment expenses to net earned premiums. The expense ratio is the ratio of general expenses to net premiums written. In our business, general expenses consist of acquisition and operating expenses, net of deferrals, and amortization of deferred acquisition costs and intangibles.

Loss ratio

In Canada, the loss ratio increased for the nine months ended September 30, 2015 primarily from a higher average reserve per delinquency related to higher severity in certain regions and an increase in the number of new delinquencies, net of cures, in the current year.

In Australia, the loss ratio increased for the three and nine months ended September 30, 2015 primarily driven by an increase in reserves of \$9 million in the current year mainly related to the estimate of the period of time it takes for a delinquent loan to be reported. This increase in reserves coupled with the increase in premiums of \$8 million from refinements to premium recognition factors increased the loss ratio by seven percentage points for the three months ended September 30, 2015. For the nine months ended September 30, 2015, the loss ratio in Australia also increased as a result of a higher number of new delinquencies, net of cures, and an increase in the average claim payment in the current year. Partially offsetting these increases was a favorable adjustment of \$7 million in the first quarter of 2015 related to the expected recovery of claims paid in prior periods.

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In Other Countries, the loss ratio decreased for the three and nine months ended September 30, 2015 primarily in Ireland driven by lower new delinquencies and improved aging on our existing delinquencies, partially offset by lower cures in the current year mainly attributable to a lender settlement in the fourth quarter of 2014.

Expense ratio

In Canada, the expense ratio decreased for the three months ended September 30, 2015 primarily from higher net premiums written in the current year. For the nine months ended September 30, 2015, the expense ratio decreased primarily attributable to lower stock-based compensation expense and higher net premiums written in the current year. The prior year also included an early redemption payment of \$6 million in May 2014 related to the redemption of Genworth Canada's senior notes that were scheduled to mature in 2015 that did not recur. The early redemption payment of \$6 million increased the expense ratio by two percentage points for the nine months ended September 30, 2014.

In Australia, the expense ratio increased for the three and nine months ended September 30, 2015 primarily from lower net premiums written and higher operating expenses related to contract fees in the current year. The current year also included an early debt redemption payment of \$2 million in July 2015 related to the redemption of AUD\$90 million of Genworth Financial Mortgage Insurance Pty Limited's subordinated floating rate notes that were scheduled to mature in 2021. The early redemption payment of \$2 million increased the expense ratio by two percentage points for the three months ended September 30, 2015.

In Other Countries, the expense ratio decreased for the three and nine months ended September 30, 2015 primarily from higher net premiums written in the current year.

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Delinquent loans

The following table sets forth the number of loans insured, the number of delinquent loans and the delinquency rate for our international mortgage insurance portfolio as of the dates indicated:

	<u>September 30, 2015</u>	<u>December 31, 2014</u>	<u>September 30, 2014</u>
Canada:			
Primary insured loans in-force	1,785,541	1,673,505	1,646,223
Delinquent loans	1,715	1,756	1,708
Percentage of delinquent loans (delinquency rate)	0.10%	0.10%	0.10%
Flow loans in-force	1,313,034	1,255,050	1,236,206
Flow delinquent loans	1,449	1,493	1,477
Percentage of flow delinquent loans (delinquency rate)	0.11%	0.12%	0.12%
Bulk loans in-force	472,507	418,455	410,017
Bulk delinquent loans	266	263	231
Percentage of bulk delinquent loans (delinquency rate)	0.06%	0.06%	0.06%
Australia:			
Primary insured loans in-force	1,479,676	1,496,616	1,490,221
Delinquent loans	5,804	4,953	5,300
Percentage of delinquent loans (delinquency rate)	0.39%	0.33%	0.36%
Flow loans in-force	1,364,537	1,378,584	1,370,136
Flow delinquent loans	5,545	4,714	5,031
Percentage of flow delinquent loans (delinquency rate)	0.41%	0.34%	0.37%
Bulk loans in-force	115,139	118,032	120,085
Bulk delinquent loans	259	239	269
Percentage of bulk delinquent loans (delinquency rate)	0.22%	0.20%	0.22%
Other Countries:			
Primary insured loans in-force	190,373	180,781	185,755
Delinquent loans	8,071	7,806	10,380
Percentage of delinquent loans (delinquency rate)	4.24%	4.32%	5.59%
Flow loans in-force	111,348	109,910	112,421
Flow delinquent loans	4,829	4,591	6,887
Percentage of flow delinquent loans (delinquency rate)	4.34%	4.18%	6.13%
Bulk loans in-force	79,025	70,871	73,334
Bulk delinquent loans	3,242	3,215	3,493
Percentage of bulk delinquent loans (delinquency rate)	4.10%	4.54%	4.76%
Total:			
Primary insured loans in-force	3,455,590	3,350,902	3,322,199
Delinquent loans	15,590	14,515	17,388
Percentage of delinquent loans (delinquency rate)	0.45%	0.43%	0.52%
Flow loans in-force	2,788,919	2,743,544	2,718,763
Flow delinquent loans	11,823	10,798	13,395
Percentage of flow delinquent loans (delinquency rate)	0.42%	0.39%	0.49%
Bulk loans in-force	666,671	607,358	603,436
Bulk delinquent loans ⁽¹⁾	3,767	3,717	3,993
Percentage of bulk delinquent loans (delinquency rate)	0.57%	0.61%	0.66%

⁽¹⁾ Included loans where we were in a secondary loss position for which no reserve was established due to an existing deductible. Excluding these loans, bulk delinquent loans were 3,739 as of September 30, 2015, 3,690 as of December 31, 2014 and 3,965 as of September 30, 2014.

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In Canada, flow loans in-force increased from new policies written and bulk loans in-force increased from bulk activity.

In Australia, flow and bulk loans in-force decreased as a result of cancellations in the current year. Flow delinquent loans increased as new delinquencies more than offset cures and paid claims.

In Other Countries, flow loans in-force and flow delinquent loans decreased compared to September 30, 2014 mainly attributable to a lender settlement in Ireland in the fourth quarter of 2014, which resulted in a decrease of 2,634 delinquent loans. Bulk loans in-force increased from a bulk transaction in Mexico in the current year.

U.S. Mortgage Insurance segment

Segment results of operations

Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

The following table sets forth the results of operations relating to our U.S. Mortgage Insurance segment for the periods indicated:

(Amounts in millions)	Three months ended September 30,		Increase (decrease) and percentage change	
	2015	2014	2015 vs. 2014	
Revenues:				
Premiums	\$ 146	\$ 146	\$—	— %
Net investment income	12	19	(7)	(37)%
Net investment gains (losses)	1	—	1	NM(1)
Insurance and investment product fees and other	2	—	2	NM(1)
Total revenues	161	165	(4)	(2)%
Benefits and expenses:				
Benefits and other changes in policy reserves	63	141	(78)	(55)%
Acquisition and operating expenses, net of deferrals	38	35	3	9%
Amortization of deferred acquisition costs and intangibles	3	1	2	200%
Total benefits and expenses	104	177	(73)	(41)%
Income (loss) from continuing operations before income taxes	57	(12)	69	NM(1)
Provision (benefit) for income taxes	20	(10)	30	NM(1)
Income (loss) from continuing operations	37	(2)	39	NM(1)
Adjustment to income (loss) from continuing operations:				
Net investment (gains) losses, net	—	—	—	— %
Net operating income (loss)	\$ 37	\$ (2)	\$ 39	NM(1)

(1) We define “NM” as not meaningful for increases or decreases greater than 200%.

Net operating income (loss)

We had net operating income in the current year compared to a net operating loss in the prior year. The net operating loss in the prior year was mainly attributable to an aggregate increase in our claim reserves of \$34 million in connection with the settlement agreement with Bank of America, N.A. and discussions with another servicer in an effort to resolve pending disputes over loss mitigation activities that did not recur. Net operating income in the current year was the result of a continued decline in new delinquencies, lower reserves on new delinquencies and improved net cures and aging.

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Revenues

Premiums were flat as higher average flow insurance in-force was offset by higher ceded reinsurance premiums and an accrual for premium refunds related to policy cancellations in the current year.

Net investment income decreased primarily from lower intercompany dividends received of approximately \$8 million as a result of the intercompany sale of U.S. mortgage insurance's ownership interest in affiliated preferred securities in July 2015.

Benefits and expenses

Benefits and other changes in policy reserves decreased primarily driven by an aggregate increase in our claim reserves of \$53 million in the prior year in connection with the settlement agreement with Bank of America, N.A. and discussions with another servicer in an effort to resolve pending disputes over loss mitigation activities that did not recur. The decrease was also attributable to a continued decline in new delinquencies primarily in our 2005 through 2008 book years, lower reserves on new delinquencies from continued improvement in economic conditions and improved net cures and aging of existing delinquencies in the current year.

Acquisition and operating expenses, net of deferrals, increased primarily from higher employee compensation expense that resulted from growth in sales in the current year.

Provision for income taxes. The effective tax rate decreased to 35.4% for the three months ended September 30, 2015 from 83.3% for the three months ended September 30, 2014. The decrease in the effective tax rate was primarily attributable to true ups in the prior year, partially offset by decreased tax benefits from tax favored investments in the current year.

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Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

The following table sets forth the results of operations relating to our U.S. Mortgage Insurance segment for the periods indicated:

(Amounts in millions)	Nine months ended September 30,		Increase (decrease) and percentage change	
	2015	2014	2015 vs. 2014	
Revenues:				
Premiums	\$ 449	\$ 427	\$ 22	5%
Net investment income	44	48	(4)	(8)%
Net investment gains (losses)	1	—	1	NM(1)
Insurance and investment product fees and other	3	1	2	200%
Total revenues	497	476	21	4%
Benefits and expenses:				
Benefits and other changes in policy reserves	163	266	(103)	(39)%
Acquisition and operating expenses, net of deferrals	113	102	11	11%
Amortization of deferred acquisition costs and intangibles	7	5	2	40%
Total benefits and expenses	283	373	(90)	(24)%
Income from continuing operations before income taxes	214	103	111	108%
Provision for income taxes	76	33	43	130%
Income from continuing operations	138	70	68	97%
Adjustment to income from continuing operations:				
Net investment (gains) losses, net	—	—	—	— %
Net operating income	\$ 138	\$ 70	\$ 68	97%

(1) We define “NM” as not meaningful for increases or decreases greater than 200%.

Net operating income

Net operating income increased mainly attributable to an aggregate increase in our claim reserves of \$34 million in the prior year in connection with the settlement agreement with Bank of America, N.A. and discussions with another servicer in an effort to resolve pending disputes over loss mitigation activities as well as a net reserve strengthening of \$11 million that did not recur. The increase was also from a continued decline in new delinquencies and higher premiums, partially offset by improved net cures and aging of existing delinquencies in the current year.

Revenues

Premiums increased mainly attributable to higher average flow insurance in-force, partially offset by higher ceded reinsurance premiums and an accrual for premium refunds related to policy cancellations in the current year.

Net investment income decreased primarily from lower intercompany dividends received of approximately \$8 million as a result of the intercompany sale of U.S. mortgage insurance’s ownership interest in affiliated preferred securities in July 2015.

Benefits and expenses

Benefits and other changes in policy reserves decreased primarily driven by an aggregate increase in our claim reserves of \$53 million in the prior year in connection with the settlement agreement with Bank of

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America, N.A. and discussions with another servicer in an effort to resolve pending disputes over loss mitigation activities as well as a net reserve strengthening of \$17 million that did not recur. The decrease was also as a result of a continued decline in new delinquencies primarily in our 2005 through 2008 book years in the current year. These decreases were partially offset by a lower net benefit from cures and aging of existing delinquencies in the current year.

Acquisition and operating expenses, net of deferrals, increased primarily from higher employee compensation expense that resulted from growth in sales, higher premium taxes mainly attributable to higher insurance in-force and a write-off of software in the current year.

Provision for income taxes. The effective tax rate increased to 35.6% for the nine months ended September 30, 2015 from 32.0% for the nine months ended September 30, 2014. The increase in the effective tax rate was primarily attributable to changes in tax favored investment benefits and favorable true ups in the prior year, partially offset by changes in state tax valuation allowance and the loss of foreign tax credits in the prior year.

U.S. Mortgage Insurance selected operating performance measures

The following tables set forth selected operating performance measures regarding our U.S. Mortgage Insurance segment as of or for the dates indicated:

(Amounts in millions)	As of September 30,		Increase (decrease) and percentage change		
	2015	2014	2015 vs. 2014		
Primary insurance in-force	\$120,400	\$112,400	\$	8,000	7%
Risk in-force	30,500	28,100		2,400	9%

(Amounts in millions)	Three months ended September 30,		Increase (decrease) and percentage change		Nine months ended September 30,		Increase (decrease) and percentage change	
	2015	2014	2015 vs. 2014		2015	2014	2015 vs. 2014	
New insurance written	\$ 9,300	\$ 7,500	\$ 1,800	24%	23,800	\$ 17,500	\$ 6,300	36%
Net premiums written	171	162	9	6%	511	457	54	12%

Primary insurance in-force and risk in-force

Primary insurance in-force increased primarily as a result of the increase of \$8.9 billion in flow insurance in-force, which increased from \$108.6 billion as of September 30, 2014 to \$117.5 billion as of September 30, 2015 as a result of new insurance written, partially offset by lapses during the current year. The increase in flow insurance in-force was partially offset by a decline of \$0.9 billion in bulk insurance in-force, which decreased from \$3.8 billion as of September 30, 2014 to \$2.9 billion as of September 30, 2015 from lapses. In addition, risk in-force increased primarily as a result of higher flow insurance in-force. Flow persistency was 79% and 83% for the nine months ended September 30, 2015 and 2014, respectively.

New insurance written

For the three and nine months ended September 30, 2015, new insurance written increased primarily driven by an increase in the mortgage insurance originations market. Mortgage refinance originations also increased as a result of lower interest rates during the current year. The current year included a higher concentration of single premium lender paid business reflecting our selective participation in the market.

Net premiums written

Net premiums written for the three and nine months ended September 30, 2015 increased due to a higher volume of single premium lender paid business in the current year reflecting our selective participation in the market. The increase was also from higher average flow insurance in-force in the current year.

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Loss and expense ratios

The following table sets forth the loss and expense ratios for our U.S. Mortgage Insurance segment for the dates indicated:

	Three months ended September 30,		Increase (decrease) 2015 vs. 2014	Nine months ended September 30,		Increase (decrease) 2015 vs. 2014
	2015	2014		2015	2014	
Loss ratio	43%	97%	(54)%	36%	62%	(26)%
Expense ratio	24%	23%	1%	23%	23%	— %

The loss ratio is the ratio of incurred losses and loss adjustment expenses to net earned premiums. The expense ratio is the ratio of general expenses to net premiums written. In our business, general expenses consist of acquisition and operating expenses, net of deferrals, and amortization of deferred acquisition costs and intangibles.

The loss ratio for the three months ended September 30, 2015 decreased primarily driven by an aggregate increase in our claim reserves of \$53 million in the prior year in connection with the settlement agreement with Bank of America, N.A. and discussions with another servicer in an effort to resolve pending disputes over loss mitigation activities that did not recur. The decrease was also attributable to a continued decline in new delinquencies primarily in our 2005 through 2008 book years, lower reserves on new delinquencies from continued improvement in economic conditions and improved net cures and aging of existing delinquencies in the current year. The charges of \$53 million increased the loss ratio by 37 percentage points for the three months ended September 30, 2014.

The loss ratio for the nine months ended September 30, 2015 decreased primarily driven by an aggregate increase in our claim reserves of \$53 million in the prior year in connection with the settlement agreement with Bank of America, N.A. and discussions with another servicer in an effort to resolve pending disputes over loss mitigation activities as well as a net reserve strengthening of \$17 million that did not recur. The decrease was also as a result of a continued decline in new delinquencies primarily in our 2005 through 2008 book years in the current year. These decreases were partially offset by improved net cures and aging of existing delinquencies in the current year. The charges of \$53 million increased the loss ratio by 12 percentage points for the nine months ended September 30, 2014. The loss ratio also decreased due to an increase in net earned premiums mainly attributable to higher average flow insurance in-force, partially offset by higher ceded reinsurance premiums and an accrual for premium refunds related to policy cancellations in the current year.

The expense ratio for the three months ended September 30, 2015 increased from higher employee compensation expense that resulted from growth in sales, partially offset by higher net premiums written.

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Delinquent loans

The following table sets forth the number of loans insured, the number of delinquent loans and the delinquency rate for our U.S. mortgage insurance portfolio as of the dates indicated:

	September 30, 2015	December 31, 2014	September 30, 2014
Primary insurance:			
Insured loans in-force	647,126	630,852	624,850
Delinquent loans	32,989	39,786	41,147
Percentage of delinquent loans (delinquency rate)	5.10%	6.31%	6.59%
Flow loan in-force	620,430	599,206	591,823
Flow delinquent loans	31,678	38,177	39,485
Percentage of flow delinquent loans (delinquency rate)	5.11%	6.37%	6.67%
Bulk loans in-force	26,696	31,646	33,027
Bulk delinquent loans ⁽¹⁾	1,311	1,609	1,662
Percentage of bulk delinquent loans (delinquency rate)	4.91%	5.08%	5.03%
A minus and sub-prime loans in-force	29,745	33,529	34,825
A minus and sub-prime loans delinquent loans	6,642	7,851	8,017
Percentage of A minus and sub-prime delinquent loans (delinquency rate)	22.33%	23.42%	23.02%
Pool insurance:			
Insured loans in-force	7,284	8,282	10,125
Delinquent loans	426	521	549
Percentage of delinquent loans (delinquency rate)	5.85%	6.29%	5.42%

(1) Included loans where we were in a secondary loss position for which no reserve was established due to an existing deductible. Excluding these loans, bulk delinquent loans were 917 as of September 30, 2015, 1,109 as of December 31, 2014 and 1,147 as of September 30, 2014.

Total delinquencies related to our 2005 through 2008 book years have declined as the United States has continued to experience improvement in its residential real estate market.

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The following tables set forth flow delinquencies, direct case reserves and risk in-force by aged missed payment status in our U.S. mortgage insurance portfolio as of the dates indicated:

<u>(Dollar amounts in millions)</u>	<u>September 30, 2015</u>			
	<u>Delinquencies</u>	<u>Direct case reserves⁽¹⁾</u>	<u>Risk in-force</u>	<u>Reserves as % of risk in-force</u>
Payments in default:				
3 payments or less	9,822	\$ 63	\$ 395	16%
4 - 11 payments	7,187	183	298	61%
12 payments or more	14,669	624	724	86%
Total	<u>31,678</u>	<u>\$ 870</u>	<u>\$ 1,417</u>	61%

(1) Direct flow case reserves exclude loss adjustment expenses, incurred but not reported and reinsurance reserves.

<u>(Dollar amounts in millions)</u>	<u>December 31, 2014</u>			
	<u>Delinquencies</u>	<u>Direct case reserves⁽¹⁾</u>	<u>Risk in-force</u>	<u>Reserves as % of risk in-force</u>
Payments in default:				
3 payments or less	10,849	\$ 76	\$ 426	18%
4 - 11 payments	9,368	238	383	62%
12 payments or more	17,960	751	895	84%
Total	<u>38,177</u>	<u>\$ 1,065</u>	<u>\$ 1,704</u>	63%

(1) Direct flow case reserves exclude loss adjustment expenses, incurred but not reported and reinsurance reserves.

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Primary insurance delinquency rates differ from region to region in the United States at any one time depending upon economic conditions and cyclical growth patterns. The tables below set forth our primary delinquency rates for the various regions of the United States and the 10 largest states by our risk in-force as of the dates indicated. Delinquency rates are shown by region based upon the location of the underlying property, rather than the location of the lender.

	Percent of primary risk in-force as of September 30, 2015	Percent of total reserves as of September 30, 2015 ⁽¹⁾	Delinquency rate		
			September 30, 2015	December 31, 2014	September 30, 2014
By Region:					
Southeast (2)	19%	24%	6.09%	7.89%	8.46%
South Central (3)	16	8	3.85%	4.50%	4.63%
Northeast (4)	14	32	9.37%	10.83%	11.03%
Pacific (5)	13	9	3.25%	4.51%	4.87%
North Central (6)	12	9	4.13%	5.35%	5.64%
Great Lakes (7)	10	5	3.71%	4.48%	4.64%
New England (8)	6	6	5.06%	6.34%	6.47%
Mid-Atlantic (9)	6	5	5.22%	6.32%	6.50%
Plains (10)	4	2	3.68%	4.39%	4.44%
Total	100%	100%	5.10%	6.31%	6.59%

- (1) Total reserves were \$953 million as of September 30, 2015.
- (2) Alabama, Arkansas, Florida, Georgia, Mississippi, North Carolina, South Carolina and Tennessee.
- (3) Arizona, Colorado, Louisiana, New Mexico, Oklahoma, Texas and Utah.
- (4) New Jersey, New York and Pennsylvania.
- (5) Alaska, California, Hawaii, Nevada, Oregon and Washington.
- (6) Illinois, Minnesota, Missouri and Wisconsin.
- (7) Indiana, Kentucky, Michigan and Ohio.
- (8) Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.
- (9) Delaware, Maryland, Virginia, Washington D.C. and West Virginia.
- (10) Idaho, Iowa, Kansas, Montana, Nebraska, North Dakota, South Dakota and Wyoming.

	Percent of primary risk in-force as of September 30, 2015	Percent of total reserves as of September 30, 2015 ⁽¹⁾	Delinquency rate		
			September 30, 2015	December 31, 2014	September 30, 2014
By State:					
California	7%	3%	2.29%	3.09%	3.29%
Texas	7%	3%	3.83%	4.55%	4.57%
New York	6%	15%	9.46%	10.88%	11.14%
Florida	6%	15%	8.52%	12.61%	14.03%
Illinois	5%	6%	5.00%	6.76%	7.20%
Pennsylvania	4%	4%	6.40%	7.78%	8.02%
New Jersey	4%	13%	13.57%	15.15%	15.12%
Ohio	4%	2%	4.39%	5.06%	5.20%
Michigan	4%	1%	2.78%	3.38%	3.57%
Georgia	3%	3%	5.42%	6.39%	6.67%

- (1) Total reserves were \$953 million as of September 30, 2015.

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The following table sets forth the dispersion of our total reserves and primary insurance in-force and risk in-force by year of policy origination and average annual mortgage interest rate as of September 30, 2015:

(Amounts in millions)	Average rate	Percent of total reserves ⁽¹⁾	Primary insurance in-force	Percent of total	Primary risk in-force	Percent of total
Policy Year						
2004 and prior	6.07%	12.1%	\$ 4,338	3.6%	\$ 978	3.2%
2005	5.66%	11.8	3,793	3.2	1,026	3.4
2006	5.87%	17.2	6,262	5.2	1,606	5.3
2007	5.78%	37.1	15,552	12.9	3,913	12.9
2008	5.32%	17.8	13,386	11.1	3,392	11.2
2009	4.95%	0.6	1,968	1.6	457	1.5
2010	4.69%	0.6	2,500	2.1	621	2.1
2011	4.52%	0.6	3,507	2.9	893	2.9
2012	3.82%	0.6	8,969	7.4	2,313	7.6
2013	3.99%	0.8	15,643	13.0	3,982	13.1
2014	4.39%	0.7	21,065	17.5	5,298	17.5
2015	4.10%	0.1	23,443	19.5	5,871	19.3
Total portfolio	4.82%	100.0%	<u>\$120,426</u>	100.0%	<u>\$30,350</u>	100.0%

(1) Total reserves were \$953 million as of September 30, 2015.

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U.S. Life Insurance Division

Division results of operations

The following table sets forth the results of operations relating to our U.S. Life Insurance Division for the periods indicated. See below for a discussion by segment.

(Amounts in millions)	Three months ended September 30,		Increase (decrease) and percentage change		Nine months ended September 30,		Increase (decrease) and percentage change	
	2015	2014	2015 vs. 2014		2015	2014	2015 vs. 2014	
Net operating income (loss):								
U.S. Life Insurance segment:								
Long-term care insurance	\$ (10)	\$ (361)	\$ 351	97%	\$ 10	\$ (309)	\$ 319	103%
Life insurance	31	13	18	138%	93	73	20	27%
Fixed annuities	19	26	(7)	(27)%	75	77	(2)	(3)%
U.S. Life Insurance segment	40	(322)	362	112%	178	(159)	337	NM ⁽¹⁾
Total net operating income (loss)	40	(322)	362	112%	178	(159)	337	NM ⁽¹⁾
Adjustments to net operating income (loss):								
Net investment gains (losses), net	(6)	3	(9)	NM ⁽¹⁾	(9)	21	(30)	(143)%
Goodwill impairment, net	—	(517)	517	100%	—	(517)	517	100%
Gains (losses) from life block transactions, net	(296)	—	(296)	NM ⁽¹⁾	(296)	—	(296)	NM ⁽¹⁾
Expenses related to restructuring, net	—	—	—	— %	(1)	—	(1)	NM ⁽¹⁾
Loss from continuing operations available to Genworth Financial, Inc.'s common stockholders	\$ (262)	\$ (836)	\$ 574	69%	\$ (128)	\$ (655)	\$ 527	80%

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.

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U.S. Life Insurance segment

Segment results of operations

Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

The following table sets forth the results of operations relating to our U.S. Life Insurance segment for the periods indicated:

(Amounts in millions)	Three months ended September 30,		Increase (decrease) and percentage change	
	2015	2014	2015 vs. 2014	
Revenues:				
Premiums	\$ 784	\$ 821	\$ (37)	(5)%
Net investment income	680	658	22	3%
Net investment gains (losses)	(16)	1	(17)	NM(1)
Insurance and investment product fees and other	177	186	(9)	(5)%
Total revenues	<u>1,625</u>	<u>1,666</u>	<u>(41)</u>	<u>(2)%</u>
Benefits and expenses:				
Benefits and other changes in policy reserves	1,155	1,722	(567)	(33)%
Interest credited	148	155	(7)	(5)%
Acquisition and operating expenses, net of deferrals	176	173	3	2%
Amortization of deferred acquisition costs and intangibles	530	91	439	NM(1)
Goodwill impairment	—	550	(550)	(100)%
Interest expense	22	22	—	— %
Total benefits and expenses	<u>2,031</u>	<u>2,713</u>	<u>(682)</u>	<u>(25)%</u>
Loss from continuing operations before income taxes	(406)	(1,047)	641	61%
Benefit for income taxes	(144)	(211)	67	32%
Loss from continuing operations	(262)	(836)	574	69%
Adjustments to loss from continuing operations:				
Net investment (gains) losses, net	6	(3)	9	NM(1)
Goodwill impairment, net	—	517	(517)	(100)%
(Gains) losses from life block transactions, net	296	—	296	NM(1)
Net operating income (loss)	<u>\$ 40</u>	<u>\$ (322)</u>	<u>\$ 362</u>	<u>112%</u>

(1) We define “NM” as not meaningful for increases or decreases greater than 200%.

The following table sets forth net operating income (loss) for the businesses included in our U.S. Life Insurance segment for the periods indicated:

(Amounts in millions)	Three months ended September 30,		Increase (decrease) and percentage change	
	2015	2014	2015 vs. 2014	
Net operating income (loss):				
Long-term care insurance	\$ (10)	\$ (361)	\$ 351	97%
Life insurance	31	13	18	138%
Fixed annuities	19	26	(7)	(27)%
Total net operating income (loss)	<u>\$ 40</u>	<u>\$ (322)</u>	<u>\$ 362</u>	<u>112%</u>

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Net operating income (loss)

- Our long-term care insurance business net operating loss decreased \$351 million largely as a result of a \$345 million increase in claim reserves, net of reinsurance, in the prior year. During the third quarter of 2014, we also recorded a \$35 million unfavorable correction, net of reinsurance, related to a calculation of benefit utilization for policies with a benefit inflation option that did not recur. The decrease was also attributable to \$16 million of higher premiums and reduced benefits in the current year from in-force rate actions approved and implemented. These decreases were partially offset by unfavorable corrections of \$21 million primarily related to reinsurance, premium taxes and a return of premium benefit reserve in the current year.
- Our life insurance business increased \$18 million principally from favorable mortality in our term and universal life insurance products in the current year. The increase was also attributable to \$9 million of unfavorable charges recorded in the prior year that included the impact of the recapture of a reinsurance agreement, an incurred but not reported reserve correction and a deferred premium asset write-off that did not recur. These increases were partially offset by a net favorable unlocking of \$8 million in our term universal and universal life insurance products in the prior year that did not recur and unfavorable mortality in our term universal life insurance product in the current year.
- Our fixed annuities business decreased \$7 million primarily related to lower investment income and unfavorable mortality in the current year.

Revenues

Premiums

- Our long-term care insurance business increased \$31 million largely from \$25 million of higher premiums in the current year from in-force rate actions approved and implemented.
- Our life insurance business decreased \$31 million largely from the recapture of a reinsurance agreement in the prior year that did not recur and higher reinsurance in the current year.
- Our fixed annuities business decreased \$37 million principally related to lower sales of our life-contingent products in the current year.

Net investment income

- Our long-term care insurance business increased \$34 million largely from higher average invested assets due to growth of our in-force block and an \$8 million unfavorable prepayment speed adjustment on structured securities in the prior year that did not recur, partially offset by lower reinvestment yields in the current year.
- Our life insurance business increased \$3 million largely from a \$9 million lower unfavorable prepayment speed adjustment on structured securities, partially offset by lower gains of \$4 million from bond calls and mortgage loan prepayments and lower reinvestment yields in the current year.
- Our fixed annuities business decreased \$15 million largely due to lower reinvestment yields and lower average invested assets. The decrease was also attributable to lower gains of \$3 million from limited partnerships and lower gains of \$3 million from bond calls and mortgage loan prepayments in the current year.

Net investment gains (losses). For further discussion of the change in net investment gains (losses), see the comparison for this line item under “—Investments and Derivative Instruments.”

- In the current year, net investment gains of \$4 million in our long-term care insurance business were largely related to derivative gains. Net investment losses of \$1 million in the prior year were primarily related to impairments.

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- In the current year, net investment losses of \$8 million in our life insurance business were largely related to impairments. Net investment gains of \$10 million in the prior year were primarily related to net gains from the sale of investment securities.
- Net investment losses in our fixed annuities business increased \$4 million largely related to derivative losses in the current year compared to gains in the prior year, partially offset by gains on embedded derivatives related to our fixed indexed annuities in the current year compared to losses in the prior year.

Insurance and investment product fees and other. The decrease was attributable to our life insurance business largely related to lower production and a decrease in our term universal and universal life insurance in-force blocks in the current year.

Benefits and expenses

Benefits and other changes in policy reserves

- Our long-term care insurance business decreased \$488 million principally from a \$531 million increase in claim reserves, net of reinsurance, in the prior year. In the third quarter of 2014, we completed a comprehensive review of our claim reserves which included changes to our assumptions and methodologies primarily impacting claim terminations, most significantly in later-duration claims, and benefit utilization reflecting that claimants are staying on claim longer and utilizing more of their available benefits in aggregate than had previously been assumed in our reserve calculations. During the third quarter of 2014, we also recorded a \$54 million unfavorable correction, net of reinsurance, related to a calculation of benefit utilization for policies with a benefit inflation option that did not recur. These decreases were partially offset by aging and growth of the in-force block, higher severity and frequency on new claims and unfavorable corrections of \$20 million principally related to reinsurance and a return of premium benefit reserve in the current year.
- Our life insurance business decreased \$45 million primarily related to favorable mortality in our universal and term life insurance products and the recapture of a reinsurance agreement in the prior year related to our term life insurance products that did not recur. These decreases were partially offset by a favorable unlocking of \$23 million in our term universal and universal life insurance products related to mortality and interest assumptions in the prior year that did not recur and unfavorable mortality in our term universal life insurance product in the current year.
- Our fixed annuities business decreased \$34 million largely attributable to lower sales of our life-contingent products and lower interest credited on reserves, partially offset by unfavorable mortality in the current year.

Interest credited. The decrease was primarily related to our fixed annuities business driven by lower crediting rates and a decrease in average account values in the current year.

Acquisition and operating expenses, net of deferrals

- Our long-term care insurance business increased \$9 million largely from an unfavorable correction of \$12 million related to premium taxes and growth of our in-force block, partially offset by lower marketing costs in the current year.
- Our life insurance business decreased \$4 million largely from a decrease in commissions and lower production, partially offset by an unfavorable correction of \$2 million related to premium taxes in the current year.
- Our fixed annuities business decreased \$2 million largely attributable to lower commissions driven by lower sales of our life-contingent products in the current year.

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Amortization of deferred acquisition costs and intangibles. The increase was principally related to our life insurance business driven mostly by an impairment of DAC of \$455 million as a result of loss recognition testing of certain term life insurance policies in the current year as part of a life block transaction, partially offset by an unfavorable unlocking of \$12 million in our term universal and universal life insurance products related to mortality and interest assumptions in the prior year that did not recur.

Goodwill impairment

- We recorded a goodwill impairment of \$200 million in our long-term care insurance business in the third quarter of 2014.
- We recorded a goodwill impairment of \$350 million in our life insurance business in the third quarter of 2014.

Benefit for income taxes. The effective tax rate increased to 35.3% for the three months ended September 30, 2015 from 20.2% for the three months ended September 30, 2014. The increase in the effective tax rate was primarily attributable to non-deductible goodwill impairments in the prior year.

Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

The following table sets forth the results of operations relating to our U.S. Life Insurance segment for the periods indicated:

(Amounts in millions)	Nine months ended September 30,		Increase (decrease) and percentage change	
	2015	2014	2015 vs. 2014	
Revenues:				
Premiums	\$ 2,331	\$ 2,342	\$ (11)	— %
Net investment income	2,028	1,989	39	2%
Net investment gains (losses)	(27)	29	(56)	(193)%
Insurance and investment product fees and other	539	532	7	1%
Total revenues	<u>4,871</u>	<u>4,892</u>	<u>(21)</u>	<u>— %</u>
Benefits and expenses:				
Benefits and other changes in policy reserves	3,368	3,839	(471)	(12)%
Interest credited	448	464	(16)	(3)%
Acquisition and operating expenses, net of deferrals	506	490	16	3%
Amortization of deferred acquisition costs and intangibles	678	247	431	174%
Goodwill impairment	—	550	(550)	(100)%
Interest expense	69	64	5	8%
Total benefits and expenses	<u>5,069</u>	<u>5,654</u>	<u>(585)</u>	<u>(10)%</u>
Loss from continuing operations before income taxes	(198)	(762)	564	74%
Benefit for income taxes	(70)	(107)	37	35%
Loss from continuing operations	(128)	(655)	527	80%
Adjustments to loss from continuing operations:				
Net investment (gains) losses, net	9	(21)	30	143%
Goodwill impairment, net	—	517	(517)	(100)%
(Gains) losses from life block transactions, net	296	—	296	NM(1)
Expenses related to restructuring, net	1	—	1	NM(1)
Net operating income (loss)	<u>\$ 178</u>	<u>\$ (159)</u>	<u>\$ 337</u>	<u>NM(1)</u>

(1) We define “NM” as not meaningful for increases or decreases greater than 200%.

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The following table sets forth net operating income (loss) for the businesses included in our U.S. Life Insurance segment for the periods indicated:

(Amounts in millions)	Nine months ended		Increase (decrease) and percentage change	
	September 30,		2015 vs. 2014	
	2015	2014		
Net operating income (loss):				
Long-term care insurance	\$ 10	\$ (309)	\$ 319	103%
Life insurance	93	73	20	27%
Fixed annuities	75	77	(2)	(3)%
Total net operating income (loss)	<u>\$ 178</u>	<u>\$ (159)</u>	<u>\$ 337</u>	NM(1)

Net operating income (loss)

- Our long-term care insurance business had net operating income of \$10 million in the current year compared to a net operating loss of \$309 million in the prior year largely as a result of a \$345 million increase in claim reserves, net of reinsurance, in the prior year. During the third quarter of 2014, we also recorded a \$35 million unfavorable correction, net of reinsurance, related to a calculation of benefit utilization for policies with a benefit inflation option that did not recur. The increase was also attributable to \$14 million of higher premiums and reduced benefits in the current year from in-force rate actions approved and implemented. These increases were partially offset by net unfavorable adjustments of \$10 million and net unfavorable corrections of \$6 million in the current year.
- Our life insurance business increased \$20 million principally from favorable mortality in our term and universal life insurance products in the current year. The increase was also attributable to \$9 million of unfavorable charges recorded in the prior year that included the impact of the recapture of a reinsurance agreement, an incurred but not reported reserve correction and a deferred premium asset write-off that did not recur. These increases were partially offset by a net favorable unlocking of \$8 million in our term universal and universal life insurance products in the prior year that did not recur and unfavorable mortality in our term universal life insurance products in the current year.
- Our fixed annuities business decreased \$2 million primarily related to lower investment income, partially offset by a decrease in reserves driven by lower account values and favorable mortality in the current year.

Revenues

Premiums

- Our long-term care insurance business increased \$75 million largely from \$65 million of higher premiums in the current year from in-force rate actions approved and implemented.
- Our life insurance business decreased \$37 million primarily related to higher reinsurance, lapse experience and lower production in the current year.
- Our fixed annuities business decreased \$49 million principally from lower sales of our life-contingent products in the current year.

Net investment income

- Our long-term care insurance business increased \$85 million largely from higher average invested assets due to growth of our in-force block, higher gains of \$10 million from bond calls and mortgage loan prepayments and an \$8 million unfavorable prepayment speed adjustment on structured securities

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in the prior year that did not recur, partially offset by lower reinvestment yields and an \$8 million favorable correction to investment amortization for preferred stock in the prior year that did not recur.

- Our life insurance business decreased \$8 million largely from lower reinvestment yields, lower average invested assets and lower gains of \$3 million from bond calls and mortgage loan prepayments, partially offset by \$7 million of less unfavorable prepayment speed adjustments on structured securities in the current year.
- Our fixed annuities business decreased \$38 million largely due to lower reinvestment yields, lower average invested assets and lower gains of \$7 million from limited partnerships in the current year.

Net investment gains (losses). For further discussion of the change in net investment gains (losses), see the comparison for this line item under “—Investments and Derivative Instruments.”

- Net investment gains in our long-term care insurance business increased \$2 million largely from higher derivative gains, partially offset by net gains from the sale of investment securities in the prior year compared to net losses in the current year.
- In the current year, net investment losses of \$2 million in our life insurance business were principally related to impairments, partially offset by net gains from the sale of investment securities. Net investment gains of \$34 million in the prior year were primarily related to net gains from the sale of investment securities.
- Net investment losses in our fixed annuities business increased \$22 million largely related to derivative losses in the current year compared to gains in the prior year, partially offset by gains on embedded derivatives related to our fixed indexed annuities in the current year compared to losses in the prior year. The increase was also attributable to higher net losses from the sale of investment securities in the current year.

Insurance and investment product fees and other. The increase was primarily attributable to our life insurance business largely related to our universal life insurance products driven by higher income from certain older in-force policies and a \$4 million unfavorable correction in the prior year that did not recur. These increases were partially offset by lower production, a decrease in our term universal and universal life insurance in-force blocks and higher terminations in our term universal life insurance product in the current year.

Benefits and expenses

Benefits and other changes in policy reserves

- Our long-term care insurance business decreased \$341 million principally from a \$531 million increase in claim reserves, net of reinsurance, in the prior year. In the third quarter of 2014, we completed a comprehensive review of our claim reserves which included changes to our assumptions and methodologies primarily impacting claim terminations, most significantly in later-duration claims, and benefit utilization reflecting that claimants are staying on claim longer and utilizing more of their available benefits in aggregate than had previously been assumed in our reserve calculations. During the third quarter of 2014, we also recorded a \$54 million unfavorable correction, net of reinsurance, related to a calculation of benefit utilization for policies with a benefit inflation option that did not recur. These decreases were partially offset by aging and growth of the in-force block, higher severity and frequency on new claims, a less favorable impact of \$38 million related to in-force rate actions approved and implemented, net unfavorable adjustments of \$16 million predominantly reflecting a refinement to a reserve calculation on our acquired block of business and incremental reserves of \$7 million recorded in connection with an accrual for profits followed by losses in the current year.
- Our life insurance business decreased \$67 million primarily related to our term life insurance products largely from favorable mortality, the recapture of a reinsurance agreement in the prior year that did not

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recur, higher ceded reinsurance and lower reserves on older in-force blocks in the current year. The decrease was also attributable to our universal life insurance products principally from favorable mortality in the current year. These decreases were partially offset by a favorable unlocking of \$23 million in our term universal and universal life insurance products related to mortality and interest assumptions in the prior year that did not recur and unfavorable mortality in our term universal life insurance product in the current year.

- Our fixed annuities business decreased \$63 million predominantly attributable to lower sales of our life-contingent products, lower interest credited on reserves and favorable mortality in the current year.

Interest credited. The decrease was mainly related to our fixed annuities business driven by lower crediting rates and a decrease in average account values in the current year.

Acquisition and operating expenses, net of deferrals

- Our long-term care insurance business increased \$12 million from an unfavorable correction related to premium taxes in the current year.
- Our life insurance business increased \$4 million largely from higher net commissions due to lower deferral rates on older in-force blocks and an unfavorable correction of \$2 million related to premium taxes, partially offset by lower production in the current year.

Amortization of deferred acquisition costs and intangibles

- Our long-term care insurance business decreased \$4 million largely related to the write-off of PVFP in connection with our annual loss recognition testing completed in the fourth quarter of 2014 which resulted in lower amortization in the current year.
- Our life insurance business increased \$446 million largely from an impairment of DAC of \$455 million as a result of loss recognition testing of certain term life insurance policies in the current year as part of a life block transaction and higher lapses in our term life insurance products. These increases were partially offset by an unfavorable unlocking of \$12 million in our term universal and universal life insurance products related to mortality and interest assumptions in the prior year that did not recur.
- Our fixed annuities business decreased \$11 million largely attributable to higher net investment losses in the current year.

Goodwill impairment

- We recorded a goodwill impairment of \$200 million in our long-term care insurance business in the third quarter of 2014.
- We recorded a goodwill impairment of \$350 million in our life insurance business in the third quarter of 2014.

Interest expense. Interest expense increased driven by our life insurance business principally from the impact of credit rating downgrades of our life insurance subsidiaries which increased the cost of financing term life insurance reserves in the current year.

Benefit for income taxes. The effective tax rate increased to 35.3% for the nine months ended September 30, 2015 from 14.0% for the nine months ended September 30, 2014. The increase in the effective tax rate was primarily attributable to non-deductible goodwill impairments recorded in the prior year.

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U.S. Life Insurance selected operating performance measures

Long-term care insurance

The following table sets forth selected operating performance measures regarding our individual and group long-term care insurance products for the periods indicated:

(Amounts in millions)	Three months ended September 30,		Increase (decrease) and percentage change		Nine months ended September 30,		Increase (decrease) and percentage change	
	2015	2014	2015 vs. 2014		2015	2014	2015 vs. 2014	
Net earned premiums:								
Individual long-term care insurance	\$ 591	\$ 562	\$ 29	5%	\$1,723	\$1,654	\$ 69	4%
Group long-term care insurance	<u>27</u>	<u>25</u>	<u>2</u>	8%	<u>81</u>	<u>75</u>	<u>6</u>	8%
Total	<u>\$ 618</u>	<u>\$ 587</u>	<u>\$ 31</u>	5%	<u>\$1,804</u>	<u>\$1,729</u>	<u>\$ 75</u>	4%
Annualized first-year premiums and deposits:								
Individual long-term care insurance	\$ 7	\$ 28	\$ (21)	(75)%	\$ 25	\$ 73	\$ (48)	(66)%
Group long-term care insurance	<u>1</u>	<u>1</u>	<u>—</u>	— %	<u>3</u>	<u>4</u>	<u>(1)</u>	(25)%
Total	<u>\$ 8</u>	<u>\$ 29</u>	<u>\$ (21)</u>	(72)%	<u>\$ 28</u>	<u>\$ 77</u>	<u>\$ (49)</u>	(64)%
Loss ratio	76%	173%	(97)%		74%	104%	(30)%	

The loss ratio is the ratio of benefits and other changes in reserves less tabular interest on reserves less loss adjustment expenses to net earned premiums.

Net earned premiums increased for the three and nine months ended September 30, 2015 mainly attributable to higher premiums of \$25 million and \$65 million, respectively, in the current year from in-force rate actions approved and implemented.

Annualized first-year premiums and deposits decreased principally from higher pricing on the product launched in 2014 and certain distributor suspensions driven by rating agency actions in the fourth quarter of 2014.

The loss ratio decreased for the three and nine months ended September 30, 2015 principally from a \$531 million increase in claim reserves, net of reinsurance, in the prior year. In the third quarter of 2014, we completed a comprehensive review of our claim reserves which included changes to our assumptions and methodologies primarily impacting claim terminations, most significantly in later-duration claims, and benefit utilization reflecting that claimants are staying on claim longer and utilizing more of their available benefits in aggregate than had previously been assumed in our reserve calculations. During the third quarter of 2014, we also recorded a \$54 million unfavorable correction, net of reinsurance, related to a calculation of benefit utilization for policies with a benefit inflation option that did not recur. The decrease for the three and nine months ended September 30, 2015 was also attributable to \$28 million and \$27 million, respectively, of higher premiums and reduced benefits in the current year from in-force rate actions approved and implemented. For the three months ended September 30, 2015, these decreases were partially offset by higher severity and frequency on new claims and unfavorable corrections of \$20 million principally related to reinsurance and a return of premium benefit reserve in the current year. For the nine months ended September 30, 2015, these decreases were partially offset by higher severity and frequency on new claims, net unfavorable adjustments of \$16 million predominantly reflecting a refinement to a reserve calculation on our acquired block of business and incremental reserves of \$7 million recorded in connection with an accrual for profits followed by losses in the current year.

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U.S. Life Insurance selected operating performance measures

Life insurance

The following tables set forth selected operating performance measures regarding our life insurance business as of or for the dates indicated:

(Amounts in millions)	Three months ended September 30,		Increase (decrease) and percentage change		Nine months ended September 30,		Increase (decrease) and percentage change		
	2015	2014	2015 vs. 2014		2015	2014	2015 vs. 2014		
Term and whole life insurance									
Net earned premiums	\$ 162	\$ 193	\$ (31)	(16)%	\$ 510	\$ 547	\$ (37)	(7)%	
Sales	7	13	(6)	(46)%	25	40	(15)	(38)%	
Term universal life insurance									
Net deposits	\$ 64	\$ 66	\$ (2)	(3)%	\$ 198	\$ 205	\$ (7)	(3)%	
Universal life insurance									
Net deposits	\$ 116	\$ 146	\$ (30)	(21)%	\$ 378	\$ 414	\$ (36)	(9)%	
Sales:									
Universal life insurance	2	11	(9)	(82)%	10	24	(14)	(58)%	
Linked-benefits	3	4	(1)	(25)%	9	11	(2)	(18)%	
Total life insurance									
Net earned premiums and deposits	\$ 342	\$ 405	\$ (63)	(16)%	\$ 1,086	\$ 1,166	\$ (80)	(7)%	
Sales:									
Term life insurance	7	13	(6)	(46)%	25	40	(15)	(38)%	
Universal life insurance	2	11	(9)	(82)%	10	24	(14)	(58)%	
Linked-benefits	3	4	(1)	(25)%	9	11	(2)	(18)%	

(Amounts in millions)	As of September 30,		Percentage change 2015 vs. 2014
	2015	2014	
Term and whole life insurance			
Life insurance in-force, net of reinsurance	\$313,675	\$350,946	(11)%
Life insurance in-force before reinsurance	514,306	523,784	(2)%
Term universal life insurance			
Life insurance in-force, net of reinsurance	\$125,820	\$129,268	(3)%
Life insurance in-force before reinsurance	126,758	130,285	(3)%
Universal life insurance			
Life insurance in-force, net of reinsurance	\$ 40,591	\$ 42,119	(4)%
Life insurance in-force before reinsurance	46,883	48,821	(4)%
Total life insurance			
Life insurance in-force, net of reinsurance	\$480,086	\$522,333	(8)%
Life insurance in-force before reinsurance	687,947	702,890	(2)%

Term and whole life insurance

Net earned premiums decreased during the three months ended September 30, 2015 primarily due to the recapture of a reinsurance agreement in the prior year that did not recur and higher reinsurance in the current year. The decrease in premiums for the nine months ended September 30, 2015 was predominantly related to higher reinsurance, lapse experience and lower production in the current year. Sales of our term life insurance products have decreased predominantly related to changes in the competitive marketplace in the current year. The decrease in life insurance in-force was principally related to a reinsurance transaction and higher lapses in the current year.

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Term universal life insurance

We no longer solicit sales of term universal life insurance products; however, we continue to service our existing block of business.

Universal life insurance

Net deposits decreased primarily related to the suspension of certain product sales following the rating agency actions in the fourth quarter of 2014. Our life insurance in-force decreased primarily from higher lapses of older issued policies and lower deposits in the current year.

Fixed annuities

The following table sets forth selected operating performance measures regarding our fixed annuities as of or for the dates indicated:

(Amounts in millions)	As of or for the three months ended September 30,		As of or for the nine months ended September 30,	
	2015	2014	2015	2014
Single Premium Deferred Annuities				
Account value, beginning of period	\$ 12,418	\$ 12,233	\$ 12,437	\$ 11,807
Deposits	253	324	777	1,224
Surrenders, benefits and product charges (1)	(333)	(351)	(1,042)	(995)
Net flows	(80)	(27)	(265)	229
Interest credited and investment performance (1)	42	86	208	256
Account value, end of period	\$ 12,380	\$ 12,292	\$ 12,380	\$ 12,292
Single Premium Immediate Annuities				
Account value, beginning of period	\$ 5,442	\$ 5,891	\$ 5,763	\$ 5,837
Premiums and deposits	36	83	112	191
Surrenders, benefits and product charges	(186)	(209)	(595)	(637)
Net flows	(150)	(126)	(483)	(446)
Interest credited	61	66	188	201
Effect of accumulated net unrealized investment gains (losses)	(8)	(49)	(123)	190
Account value, end of period	\$ 5,345	\$ 5,782	\$ 5,345	\$ 5,782
Structured Settlements				
Account value, net of reinsurance, beginning of period	\$ 1,074	\$ 1,085	\$ 1,078	\$ 1,093
Surrenders, benefits and product charges	(19)	(18)	(52)	(54)
Net flows	(19)	(18)	(52)	(54)
Interest credited	14	15	43	43
Account value, net of reinsurance, end of period	\$ 1,069	\$ 1,082	\$ 1,069	\$ 1,082
Total premiums from fixed annuities	\$ 4	\$ 41	\$ 17	\$ 66
Total deposits from fixed annuities	\$ 285	\$ 366	\$ 872	\$ 1,349

(1) Amounts for prior periods have been re-presented as a result of classification differences between surrenders, benefits and product charges and interest credited and investment performance. There was no impact on total account value from the classification changes.

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Single Premium Deferred Annuities

Account value of our single premium deferred annuities decreased compared to June 30, 2015 and December 31, 2014 as surrenders and benefits outpaced deposits and interest credited and investment performance. Sales decreased from prior year primarily related to suspension of our products by distributors driven by the rating actions in the fourth quarter of 2014 and from pressured current market conditions and continued low interest rates.

Single Premium Immediate Annuities

Account value of our single premium immediate annuities decreased compared to June 30, 2015 and December 31, 2014 as surrenders and net unrealized investment losses exceeded premiums and deposits and interest credited. Sales declined primarily related to suspension of our products by distributors driven by the rating actions in the fourth quarter of 2014 and from pressured current market conditions and continued low interest rates.

Structured Settlements

We no longer solicit sales of structured settlements; however, we continue to service our existing block of business.

Valuation systems and processes

Our U.S. Life Insurance segment will continue to migrate to a new valuation and projection platform for certain lines of business, while we upgrade platforms for other lines of business. The migration and upgrades are part of our ongoing efforts to improve the infrastructure and capabilities of our information systems and our routine assessment and refinement of financial, actuarial, investment and risk management capabilities enterprise wide. These efforts will also provide our U.S. Life Insurance segment with improved platforms to support emerging accounting guidance and ongoing changes in capital regulations. Concurrently, valuation processes and methodologies will be reviewed. Any material changes in balances, margins or income trends that may result from these activities will be disclosed accordingly.

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Corporate and Other Division

Division results of operations

The following table sets forth the results of operations relating to our Corporate and Other Division for the periods indicated. See below for a discussion by segment.

(Amounts in millions)	Three months ended September 30,		Increase (decrease) and percentage change		Nine months ended September 30,		Increase (decrease) and percentage change	
	2015	2014	2015 vs. 2014		2015	2014	2015 vs. 2014	
Net operating income (loss):								
Runoff segment	\$ (4)	\$ 5	\$ (9)	(180)%	\$ 16	\$ 32	\$ (16)	(50)%
Corporate and Other activities	(63)	(91)	28	31%	(174)	(209)	35	17%
Total net operating loss	(67)	(86)	19	22%	(158)	(177)	19	11%
Adjustments to net operating loss:								
Net investment gains (losses), net	(8)	(11)	3	27%	(3)	(23)	20	87%
Gains (losses) on early extinguishment of debt, net	(1)	—	(1)	NM ⁽¹⁾	(1)	—	(1)	NM ⁽¹⁾
Expenses from restructuring, net	—	—	—	— %	(1)	—	(1)	NM ⁽¹⁾
Income (loss) from continuing operations	(76)	(97)	21	22%	(163)	(200)	37	19%
Income (loss) from discontinued operations, net of taxes	(21)	6	(27)	NM ⁽¹⁾	(334)	19	(353)	NM ⁽¹⁾
Net loss available to Genworth Financial, Inc.'s common stockholders	<u>\$ (97)</u>	<u>\$ (91)</u>	<u>\$ (6)</u>	(7)%	<u>\$ (497)</u>	<u>\$ (181)</u>	<u>\$ (316)</u>	(175)%

(1) We define "NM" as not meaningful for increases or decreases greater than 200%.

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Runoff segment

Segment results of operations

Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

The following table sets forth the results of operations relating to our Runoff segment for the periods indicated:

(Amounts in millions)	Three months ended September 30,		Increase (decrease) and percentage change	
	2015	2014	2015 vs. 2014	
Revenues:				
Premiums	\$ —	\$ 1	\$ (1)	(100)%
Net investment income	32	32	—	— %
Net investment gains (losses)	(25)	(33)	8	24%
Insurance and investment product fees and other	46	53	(7)	(13)%
Total revenues	53	53	—	— %
Benefits and expenses:				
Benefits and other changes in policy reserves	18	13	5	38%
Interest credited	31	30	1	3%
Acquisition and operating expenses, net of deferrals	17	22	(5)	(23)%
Amortization of deferred acquisition costs and intangibles	17	5	12	NM ⁽¹⁾
Total benefits and expenses	83	70	13	19%
Loss from continuing operations before income taxes	(30)	(17)	(13)	(76)%
Benefit for income taxes	(12)	(5)	(7)	(140)%
Loss from continuing operations	(18)	(12)	(6)	(50)%
Adjustment to loss from continuing operations:				
Net investment (gains) losses, net	14	17	(3)	(18)%
Net operating income (loss)	\$ (4)	\$ 5	\$ (9)	(180)%

(1) We define “NM” as not meaningful for increases or decreases greater than 200%.

Net operating income (loss)

We had a net operating loss in the current year compared to net operating income in the prior year primarily driven by our variable annuity products largely from unfavorable equity market performance and impacts associated with our annual review of assumptions in the prior year that did not recur. The decrease was also attributable to unfavorable mortality related to our corporate-owned life insurance products, partially offset by higher tax benefits in the current year.

Revenues

Net investment losses decreased largely from higher derivative gains and higher net investment gains from the sale of investment securities, partially offset by higher losses on embedded derivatives associated with our variable annuity products with guaranteed minimum withdrawal benefits (“GMWBs”) in the current year.

Insurance and investment product fees and other decreased mainly attributable to lower account values in our variable annuity products in the current year.

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Benefits and expenses

Benefits and other changes in policy reserves increased primarily related to our corporate-owned life insurance products driven by unfavorable mortality and an increase in our GMDB reserves in our variable annuity products due to unfavorable equity market performance in the current year.

Acquisition and operating expenses, net of deferrals, decreased largely related to lower commissions as a result of the runoff of our variable annuity products in the current year.

Amortization of deferred acquisition costs and intangibles increased related to our variable annuity products principally from unfavorable equity market performance and impacts associated with our annual review of assumptions, which included a \$7 million favorable unlocking in the prior year that did not recur.

Benefit for income taxes. The effective tax rate increased to 39.4% for the three months ended September 30, 2015 from 29.4% for the three months ended September 30, 2014. The increase in the effective tax rate is primarily attributable to changes in tax favored investment benefits in relation to pre-tax results and changes in uncertain tax positions, partially offset by true ups in the prior year.

Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

The following table sets forth the results of operations relating to our Runoff segment for the periods indicated:

(Amounts in millions)	Nine months ended September 30,		Increase (decrease) and percentage change	
	2015	2014	2015 vs. 2014	
Revenues:				
Premiums	\$ 1	\$ 3	\$ (2)	(67)%
Net investment income	103	97	6	6%
Net investment gains (losses)	(39)	(43)	4	9%
Insurance and investment product fees and other	144	158	(14)	(9)%
Total revenues	<u>209</u>	<u>215</u>	<u>(6)</u>	<u>(3)%</u>
Benefits and expenses:				
Benefits and other changes in policy reserves	36	27	9	33%
Interest credited	92	88	4	5%
Acquisition and operating expenses, net of deferrals	57	62	(5)	(8)%
Amortization of deferred acquisition costs and intangibles	32	26	6	23%
Interest expense	1	1	—	— %
Total benefits and expenses	<u>218</u>	<u>204</u>	<u>14</u>	<u>7%</u>
Income (loss) from continuing operations before income taxes	(9)	11	(20)	(182)%
Provision (benefit) for income taxes	(7)	—	(7)	NM ⁽¹⁾
Income (loss) from continuing operations	(2)	11	(13)	(118)%
Adjustment to income (loss) from continuing operations:				
Net investment (gains) losses, net	18	21	(3)	(14)%
Net operating income	<u>\$ 16</u>	<u>\$ 32</u>	<u>\$ (16)</u>	<u>(50)%</u>

(1) We define “NM” as not meaningful for increases or decreases greater than 200%.

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Net operating income

Net operating income decreased primarily driven by our variable annuity products largely from unfavorable equity market performance and unfavorable mortality in the current year.

Revenues

Net investment income increased primarily due to \$5 million of higher gains from limited partnership in the current year.

Net investment losses decreased primarily related to lower losses on embedded derivatives associated with our variable annuity products with GMWBs in the current year. The decrease was also attributable to gains from the sale of investment securities in the current year compared to losses in the prior year. These decreases were partially offset by lower gains on derivatives in the current year.

Insurance and investment product fees and other decreased mainly attributable to lower account values in our variable annuity products in the current year.

Benefits and expenses

Benefits and other changes in policy reserves increased primarily attributable to unfavorable mortality and an increase in our GMDB reserves in our variable annuity products due to unfavorable equity market performance in the current year.

Interest credited increased largely related to higher cash values in our corporate-owned life insurance products in the current year.

Acquisition and operating expenses, net of deferrals, decreased largely related to lower commissions as a result of the runoff of our variable annuity products in the current year.

Amortization of deferred acquisition costs and intangibles increased related to our variable annuity products principally from impacts associated with our annual review of assumptions, which included a \$7 million favorable unlocking in the prior year that did not recur, partially offset by unfavorable equity market performance in the current year.

Provision (benefit) for income taxes. The effective tax rate increased to 76.3% for the nine months ended September 30, 2015 from zero for the nine months ended September 30, 2014. The increase in the effective tax rate was primarily attributable to changes in tax favored investment benefits in relation to pre-tax income, true ups in the prior year and changes in valuation allowance in the prior year, partially offset by changes in uncertain tax positions on tax favored investments in the prior year.

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Runoff selected operating performance measures

Variable annuity and variable life insurance products

The following table sets forth selected operating performance measures regarding our variable annuity and variable life insurance products as of or for the dates indicated:

(Amounts in millions)	As of or for the three months ended September 30,		As of or for the nine months ended September 30,	
	2015	2014	2015	2014
Variable Annuities—Income Distribution Series⁽¹⁾				
Account value, beginning of period	\$ 5,341	\$ 5,984	\$ 5,666	\$ 6,061
Deposits	7	12	26	41
Surrenders, benefits and product charges	(158)	(204)	(542)	(612)
Net flows	(151)	(192)	(516)	(571)
Interest credited and investment performance	(192)	(29)	(152)	273
Account value, end of period	<u>\$ 4,998</u>	<u>\$ 5,763</u>	<u>\$ 4,998</u>	<u>\$ 5,763</u>
Traditional Variable Annuities				
Account value, net of reinsurance, beginning of period	\$ 1,371	\$ 1,583	\$ 1,455	\$ 1,643
Deposits	1	2	8	9
Surrenders, benefits and product charges	(60)	(81)	(201)	(239)
Net flows	(59)	(79)	(193)	(230)
Interest credited and investment performance	(65)	(12)	(15)	79
Account value, net of reinsurance, end of period	<u>\$ 1,247</u>	<u>\$ 1,492</u>	<u>\$ 1,247</u>	<u>\$ 1,492</u>
Variable Life Insurance				
Account value, beginning of period	\$ 309	\$ 317	\$ 313	\$ 316
Deposits	2	2	6	6
Surrenders, benefits and product charges	(7)	(10)	(29)	(29)
Net flows	(5)	(8)	(23)	(23)
Interest credited and investment performance	(18)	2	(4)	18
Account value, end of period	<u>\$ 286</u>	<u>\$ 311</u>	<u>\$ 286</u>	<u>\$ 311</u>

(1) The Income Distribution Series products are comprised of our deferred and immediate variable annuity products, including those variable annuity products with rider options that provide guaranteed income benefits, including GMWBs and certain types of guaranteed annuitization benefits. These products do not include fixed single premium immediate annuities or deferred annuities, which may also serve income distribution needs.

Variable Annuities—Income Distribution Series

Account value related to our Income Distribution Series products decreased compared to June 30, 2015 primarily related to unfavorable equity market performance and surrenders in the third quarter of 2015. The decrease in account value compared to December 31, 2014 was mainly attributable to surrenders and less favorable equity market performance in 2015. We no longer solicit sales of our variable annuities; however, we continue to service our existing block of business and accept additional deposits on existing contracts.

Traditional Variable Annuities

In our traditional variable annuities, the decrease in account value compared to June 30, 2015 related to unfavorable equity market performance and surrenders in the third quarter of 2015. The decrease in account

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value compared to December 31, 2014 was primarily the result of surrenders and unfavorable equity market performance. We no longer solicit sales of our variable annuities; however, we continue to service our existing block of business and accept additional deposits on existing contracts.

Variable Life Insurance

We no longer solicit sales of variable life insurance; however, we continue to service our existing block of business.

Institutional products

The following table sets forth selected operating performance measures regarding our institutional products as of or for the dates indicated:

<u>(Amounts in millions)</u>	<u>As of or for the three</u> <u>months ended September 30,</u>		<u>As of or for the nine</u> <u>months ended September 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
GICs, FABNs and Funding Agreements				
Account value, beginning of period	\$ 491	\$ 667	\$ 493	\$ 896
Surrenders and benefits	(81)	(142)	(85)	(374)
Net flows	(81)	(142)	(85)	(374)
Interest credited	1	1	3	4
Account value, end of period	<u>\$ 411</u>	<u>\$ 526</u>	<u>\$ 411</u>	<u>\$ 526</u>

Account value related to our institutional products decreased mainly attributable to scheduled maturities of these products. We consider the issuance of our institutional contracts on an opportunistic basis.

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Corporate and Other Activities

Results of operations

Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

The following table sets forth the results of operations relating to Corporate and Other activities for the periods indicated:

(Amounts in millions)	Three months ended September 30,		Increase (decrease) and percentage change	
	2015	2014	2015 vs. 2014	
Revenues:				
Net investment income	\$ (1)	\$ (9)	\$ 8	89%
Net investment gains (losses)	9	9	—	— %
Insurance and investment product fees and other	—	(3)	3	100%
Total revenues	8	(3)	11	NM(1)
Benefits and expenses:				
Acquisition and operating expenses, net of deferrals	31	2	29	NM(1)
Amortization of deferred acquisition costs and intangibles	—	1	(1)	(100)%
Interest expense	75	74	1	1%
Total benefits and expenses	106	77	29	38%
Loss from continuing operations before income taxes	(98)	(80)	(18)	(23)%
Provision (benefit) for income taxes	(40)	5	(45)	NM(1)
Loss from continuing operations	(58)	(85)	27	32%
Adjustments to loss from continuing operations:				
Net investment (gains) losses, net	(6)	(6)	—	— %
(Gains) losses on early extinguishment of debt, net	1	—	1	NM(1)
Net operating loss	\$ (63)	\$ (91)	\$ 28	31%

(1) We define “NM” as not meaningful for increases or decreases greater than 200%.

Net operating loss

The net operating loss decreased as a result of higher tax benefits and investment income, partially offset by higher legal accruals and expenses of \$17 million in the current year.

Revenues

Net investment income increased from affiliate preferred stock dividends of approximately \$8 million that were previously included in the U.S. Mortgage Insurance segment in the current year.

Insurance and investment product fees and other increased attributable to losses in the prior year from non-functional currency transactions attributable to changes in foreign exchange rates related to intercompany transactions.

Benefits and expenses

Acquisition and operating expenses, net of deferrals, increased mainly from higher legal accruals and expenses of \$26 million in the current year.

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The increase in the income tax benefit was primarily attributable to additional tax expense required to offset tax benefits reported by our business segments in the prior year.

Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

The following table sets forth the results of operations relating to Corporate and Other activities for the periods indicated:

(Amounts in millions)	Nine months ended September 30,		Increase (decrease) and percentage change	
	2015	2014	2015 vs. 2014	
Revenues:				
Net investment income	\$ (7)	\$ (16)	\$ 9	56%
Net investment gains (losses)	23	(2)	25	NM(1)
Insurance and investment product fees and other	(10)	(2)	(8)	NM(1)
Total revenues	6	(20)	26	130%
Benefits and expenses:				
Acquisition and operating expenses, net of deferrals	50	25	25	100%
Amortization of deferred acquisition costs and intangibles	1	2	(1)	(50)%
Interest expense	224	238	(14)	(6)%
Total benefits and expenses	275	265	10	4%
Loss from continuing operations before income taxes	(269)	(285)	16	6%
Benefit for income taxes	(108)	(74)	(34)	(46)%
Loss from continuing operations	(161)	(211)	50	24%
Adjustments to loss from continuing operations:				
Net investment (gains) losses, net	(15)	2	(17)	NM(1)
(Gains) losses on early extinguishment of debt, net	1	—	1	NM(1)
Expenses related to restructuring, net	1	—	1	NM(1)
Net operating loss	\$ (174)	\$ (209)	\$ 35	17%

(1) We define “NM” as not meaningful for increases or decreases greater than 200%.

Net operating loss

The net operating loss decreased primarily attributable to lower interest expense and higher investment income, partially offset by higher operating expenses and losses from non-functional currency transactions in the current year.

Revenues

Net investment income increased from affiliate preferred stock dividends of approximately \$8 million that were previously included in the U.S. Mortgage Insurance segment in the current year.

Net investment gains in the current year were mainly from derivative gains, partially offset by net losses from the sale of investment securities and impairments. Net investment losses in the prior year were driven by derivative losses and impairments, partially offset by net gains from the sale of investment securities.

Insurance and investment product fees and other decreased mainly as a result of higher losses in the current year from non-functional currency transactions attributable to changes in foreign exchange rates related to intercompany transactions.

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Benefits and expenses

Acquisition and operating expenses, net of deferrals, increased mainly from higher legal accruals and expenses of \$30 million in the current year. This increase was partially offset by lower net expenses after allocations to our operating segments in the current year.

Interest expense decreased largely driven by the repayment of \$485 million of senior notes in June 2014.

The increase in the income tax benefit was primarily attributable to additional tax expense required to offset tax benefits reported by the business segments in the prior year, prior year true ups related to lower taxed foreign income and increased tax benefits from uncertain tax positions, partially offset by state and federal true ups in the prior year.

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Investments and Derivative Instruments

Investment results

The following tables set forth information about our investment income, excluding net investment gains (losses), for each component of our investment portfolio for the periods indicated:

(Amounts in millions)	Three months ended September 30,				Increase (decrease)	
	2015		2014		2015 vs. 2014	
	Yield	Amount	Yield	Amount	Yield	Amount
Fixed maturity securities—taxable	4.6%	\$ 647	4.6%	\$ 643	— %	\$ 4
Fixed maturity securities—non-taxable	3.5%	3	3.4%	3	0.1%	—
Commercial mortgage loans	5.5%	84	5.4%	82	0.1%	2
Restricted commercial mortgage loans related to securitization entities	6.4%	3	6.6%	3	(0.2)%	—
Equity securities	4.0%	3	4.4%	3	(0.4)%	—
Other invested assets	17.3%	26	21.3%	27	(4.0)%	(1)
Restricted other invested assets related to securitization entities	1.0%	1	1.0%	1	— %	—
Policy loans	8.4%	33	8.5%	32	(0.1)%	1
Cash, cash equivalents and short-term investments	0.3%	3	0.8%	7	(0.5)%	(4)
Gross investment income before expenses and fees	4.6%	803	4.6%	801	— %	2
Expenses and fees	(0.1)%	(20)	(0.1)%	(23)	— %	3
Net investment income	4.5%	\$ 783	4.5%	\$ 778	— %	\$ 5
Average invested assets and cash		\$ 70,183		\$ 68,845		\$ 1,338

(Amounts in millions)	Nine months ended September 30,				Increase (decrease)	
	2015		2014		2015 vs. 2014	
	Yield	Amount	Yield	Amount	Yield	Amount
Fixed maturity securities—taxable	4.6%	\$ 1,924	4.7%	\$ 1,940	(0.1)%	\$ (16)
Fixed maturity securities—non-taxable	3.5%	9	3.6%	9	(0.1)%	—
Commercial mortgage loans	5.5%	252	5.5%	246	— %	6
Restricted commercial mortgage loans related to securitization entities	7.2%	10	6.6%	11	0.6%	(1)
Equity securities	5.2%	11	5.1%	11	0.1%	—
Other invested assets	26.1%	103	20.5%	81	5.6%	22
Restricted other invested assets related to securitization entities	1.0%	3	1.0%	3	— %	—
Policy loans	8.7%	101	8.6%	95	0.1%	6
Cash, cash equivalents and short-term investments	0.3%	10	0.6%	19	(0.3)%	(9)
Gross investment income before expenses and fees	4.6%	2,423	4.7%	2,415	(0.1)%	8
Expenses and fees	(0.1)%	(66)	(0.1)%	(70)	— %	4
Net investment income	4.5%	\$ 2,357	4.6%	\$ 2,345	(0.1)%	\$ 12
Average invested assets and cash		\$ 70,022		\$ 68,462		\$ 1,560

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Yields are based on net investment income as reported under U.S. GAAP and are consistent with how the company measures its investment performance for management purposes. Yields are annualized, for interim periods, and are calculated as net investment income as a percentage of average quarterly asset carrying values except for fixed maturity and equity securities, derivatives and derivative counterparty collateral, which exclude unrealized fair value adjustments and securities lending activity, which is included in other invested assets and is calculated net of the corresponding securities lending liability.

For the three months ended September 30, 2015, annualized weighted-average investment yields remained unchanged from the prior year primarily attributable to a \$19 million lower unfavorable prepayment speed adjustment on structured securities, partially offset by lower gains of \$6 million related to limited partnerships, \$5 million of lower gains related to bond calls and mortgage prepayments and lower yields on higher average invested assets in the current year. The three months ended September 30, 2015 included a decrease of \$13 million attributable to changes in foreign exchange rates.

For the nine months ended September 30, 2015, annualized weighted-average investment yields decreased primarily attributable to lower reinvestment yields on higher average invested assets in the current year. These decreases were partially offset by an \$18 million lower unfavorable prepayment speed adjustment on structured securities and higher gains of \$9 million related to bond calls and mortgage prepayments in the current year. The nine months ended September 30, 2015 included a decrease of \$30 million attributable to changes in foreign exchange rates.

The following table sets forth net investment gains (losses) for the periods indicated:

(Amounts in millions)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Available-for-sale securities:				
Realized gains	\$ 14	\$ 17	\$ 49	\$ 61
Realized losses	(18)	(5)	(36)	(42)
Net realized gains (losses) on available-for-sale securities	(4)	12	13	19
Impairments:				
Total other-than-temporary impairments	(10)	(13)	(13)	(16)
Portion of other-than-temporary impairments included in other comprehensive income (loss)	1	7	1	7
Net other-than-temporary impairments	(9)	(6)	(12)	(9)
Trading securities	12	4	2	24
Commercial mortgage loans	1	3	5	9
Net gains (losses) related to securitization entities	(1)	(1)	9	14
Derivative instruments	(53)	(38)	(79)	(66)
Contingent consideration adjustment	2	(1)	2	(1)
Other	1	—	1	(1)
Net investment gains (losses)	\$ (51)	\$ (27)	\$ (59)	\$ (11)

Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

- We recorded \$3 million of higher net other-than-temporary impairments during the three months ended September 30, 2015. Of total impairments of \$9 million recorded during the three months ended September 30, 2015, \$6 million related to corporate securities, \$2 million related to structured securities and \$1 million related to commercial mortgage loans. Of total impairments of \$6 million recorded during the three months ended September 30, 2014, \$4 million related to financial hybrid

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securities as a result of certain banks being downgraded to below investment grade and \$1 million related to structured securities.

- Net investment losses related to derivatives of \$53 million during the three months ended September 30, 2015 were primarily associated with hedging programs for our runoff variable annuity products, including decreases in the values of instruments used to protect statutory surplus from equity market fluctuation. We also had losses related to derivatives used to hedge foreign currency risk associated with assets held and losses related to a non-qualified derivative strategy to mitigate interest rate risk associated with our statutory capital position. These losses were partially offset by gains related to derivatives used to hedge foreign currency risk associated with expected dividend payments from certain foreign subsidiaries.

Net investment losses related to derivatives of \$38 million during the three months ended September 30, 2014 were primarily associated with hedging programs for our runoff variable annuity products, including decreases in the values of instruments used to protect statutory surplus from equity market fluctuation. We also had losses related to derivatives used to hedge foreign currency risk associated with assets held, as well as losses related to derivatives used to hedge our fixed indexed annuity product. These losses were partially offset by gains related to derivatives used to hedge foreign currency risk associated with expected dividend payments from certain foreign subsidiaries.

- We recorded \$4 million of losses related to the sale of available-for-sale securities during the three months ended September 30, 2015 compared to \$12 million of gains during the three months ended September 30, 2014. We recorded higher net gains of \$8 million related to trading securities during the three months ended September 30, 2015 due to unrealized gains resulting from changes in the long-term interest rate environment in the current year.

Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

- We recorded \$3 million of higher net other-than-temporary impairments during the nine months ended September 30, 2015. Of total impairments of \$12 million recorded during the nine months ended September 30, 2015, \$6 million related to corporate securities. During the nine months ended September 30, 2015 and 2014, we recorded impairments of \$4 million and \$3 million, respectively, related to commercial mortgage loans and \$2 million and \$1 million, respectively, related to structured securities. Impairments related to financial hybrid securities as a result of certain banks being downgraded to below investment grade were \$4 million during the nine months ended September 30, 2014.

- Net investment losses related to derivatives of \$79 million during the nine months ended September 30, 2015 were primarily associated with hedging programs for our runoff variable annuity products, including decreases in the values of instruments used to protect statutory surplus from equity market fluctuation. We also had losses related to derivatives used to hedge foreign currency risk associated with assets held and losses related to fixed indexed annuity derivatives. These losses were partially offset by gains related to derivatives to hedge foreign currency risk associated with expected dividend payments from certain foreign subsidiaries.

Net investment losses related to derivatives of \$66 million during the nine months ended September 30, 2014 were primarily associated with hedging programs for our runoff variable annuity products, including decreases in the values of instruments used to protect statutory surplus from equity market fluctuation. We also had losses related to derivatives used to hedge foreign currency risk associated with assets held and proceeds from the IPO of our Australian mortgage insurance business and losses related to a non-qualified derivative strategy to mitigate interest rate risk with our statutory capital positions. These losses were partially offset by gains related to hedge ineffectiveness from our cash flow hedge programs for our long-term care insurance business due to a decrease in long-term interest rates. We also had gains related to derivatives used to hedge foreign currency risk associated with expected dividend payments from certain foreign subsidiaries.

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- We recorded \$22 million of lower net gains related to trading securities during the nine months ended September 30, 2015 resulting from changes in the long-term interest rate environment. We recorded lower net gains of \$6 million related to the sale of available-for-sale securities during the nine months ended September 30, 2015. We recorded \$5 million of lower net gains related to securitization entities during the nine months ended September 30, 2015 primarily associated with lower gains on derivatives.

Investment portfolio

The following table sets forth our cash, cash equivalents and invested assets as of the dates indicated:

(Amounts in millions)	September 30, 2015		December 31, 2014	
	Carrying value	% of total	Carrying value	% of total
Fixed maturity securities, available-for-sale:				
Public	\$ 45,294	60%	\$ 46,044	60%
Private	15,557	20	15,232	20
Commercial mortgage loans	6,133	8	6,100	8
Other invested assets	2,773	4	2,244	3
Policy loans	1,567	2	1,501	2
Restricted other invested assets related to securitization entities	412	1	411	1
Equity securities, available-for-sale	273	—	275	—
Restricted commercial mortgage loans related to securitization entities	175	—	201	—
Cash and cash equivalents	3,666	5	4,716	6
Total cash, cash equivalents and invested assets	<u>\$ 75,850</u>	<u>100%</u>	<u>\$ 76,724</u>	<u>100%</u>

For a discussion of the change in cash, cash equivalents and invested assets, see the comparison for this line item under “—Consolidated Balance Sheets.” See note 4 in our unaudited condensed consolidated financial statements under “Item 1—Financial Statements” for additional information related to our investment portfolio.

We hold fixed maturity, equity and trading securities, derivatives, embedded derivatives, securities held as collateral and certain other financial instruments, which are carried at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. As of September 30, 2015, approximately 9% of our investment holdings recorded at fair value was based on significant inputs that were not market observable and were classified as Level 3 measurements. See note 6 in our unaudited condensed consolidated financial statements under “Item 1—Financial Statements” for additional information related to fair value.

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Fixed maturity and equity securities

As of September 30, 2015, the amortized cost or cost, gross unrealized gains (losses) and fair value of our fixed maturity and equity securities classified as available-for-sale were as follows:

(Amounts in millions)	Amortized cost or cost	Gross unrealized gains		Gross unrealized losses		Fair value
		Not other-than- temporarily impaired	Other-than- temporarily impaired	Not other-than- temporarily impaired	Other-than- temporarily impaired	
Fixed maturity securities:						
U.S. government, agencies and government-sponsored enterprises	\$ 5,065	\$ 855	\$ —	\$ (7)	\$ —	\$ 5,913
State and political subdivisions	2,280	195	—	(27)	—	2,448
Non-U.S. government (1)	1,836	120	—	(4)	—	1,952
U.S. corporate:						
Utilities	3,398	420	—	(18)	—	3,800
Energy	2,664	178	—	(71)	—	2,771
Finance and insurance	5,422	447	17	(37)	—	5,849
Consumer—non-cyclical	3,742	423	—	(23)	—	4,142
Technology and communications	2,292	144	—	(28)	—	2,408
Industrial	1,254	75	—	(28)	—	1,301
Capital goods	1,873	215	—	(11)	—	2,077
Consumer—cyclical	1,732	114	—	(13)	—	1,833
Transportation	1,012	89	—	(10)	—	1,091
Other	399	27	—	(3)	—	423
Total U.S. corporate (1)	<u>23,788</u>	<u>2,132</u>	<u>17</u>	<u>(242)</u>	<u>—</u>	<u>25,695</u>
Non-U.S. corporate:						
Utilities	861	42	—	(6)	—	897
Energy	1,856	105	—	(70)	—	1,891
Finance and insurance	2,709	173	1	(6)	—	2,877
Consumer—non-cyclical	740	30	—	(15)	—	755
Technology and communications	975	43	—	(22)	—	996
Industrial	1,129	34	—	(67)	—	1,096
Capital goods	600	25	—	(15)	—	610
Consumer—cyclical	561	10	—	(5)	—	566
Transportation	556	59	—	(4)	—	611
Other	2,706	218	—	(24)	—	2,900
Total non-U.S. corporate (1)	<u>12,693</u>	<u>739</u>	<u>1</u>	<u>(234)</u>	<u>—</u>	<u>13,199</u>
Residential mortgage-backed (2)	4,728	389	11	(10)	—	5,118
Commercial mortgage-backed	2,464	126	4	(7)	—	2,587
Other asset-backed (2)	3,953	25	1	(40)	—	3,939
Total fixed maturity securities	56,807	4,581	34	(571)	—	60,851
Equity securities	300	5	—	(32)	—	273
Total available-for-sale securities	<u>\$ 57,107</u>	<u>\$ 4,586</u>	<u>\$ 34</u>	<u>\$ (603)</u>	<u>\$ —</u>	<u>\$61,124</u>

(1) Fair value included European periphery exposure of \$410 million in Ireland, \$230 million in Spain, \$108 million in Italy and \$16 million in Portugal.

(2) Fair value included \$74 million collateralized by Alt-A residential mortgage loans and \$35 million collateralized by sub-prime residential mortgage loans.

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As of December 31, 2014, the amortized cost or cost, gross unrealized gains (losses) and fair value of our fixed maturity and equity securities classified as available-for-sale were as follows:

(Amounts in millions)	Amortized cost or cost	Gross unrealized gains		Gross unrealized losses		Fair value
		Not other-than- temporarily impaired	Other-than- temporarily impaired	Not other-than- temporarily impaired	Other-than- temporarily impaired	
Fixed maturity securities:						
U.S. government, agencies and government-sponsored enterprises	\$ 5,006	\$ 995	\$ —	\$ (1)	\$ —	\$ 6,000
State and political subdivisions	2,013	236	—	(27)	—	2,222
Non-U.S. government (1)	1,778	144	—	(2)	—	1,920
U.S. corporate:						
Utilities	3,292	577	—	(5)	—	3,864
Energy	2,498	265	—	(21)	—	2,742
Finance and insurance	5,109	537	20	(13)	—	5,653
Consumer—non-cyclical	3,489	538	—	(8)	—	4,019
Technology and communications	2,112	217	—	(4)	—	2,325
Industrial	1,195	100	—	(8)	—	1,287
Capital goods	1,748	263	—	(5)	—	2,006
Consumer—cyclical	1,750	158	—	(8)	—	1,900
Transportation	929	114	—	(4)	—	1,039
Other	370	31	—	—	—	401
Total U.S. corporate (1)	<u>22,492</u>	<u>2,800</u>	<u>20</u>	<u>(76)</u>	<u>—</u>	<u>25,236</u>
Non-U.S. corporate:						
Utilities	867	48	—	(2)	—	913
Energy	1,925	163	—	(38)	—	2,050
Finance and insurance	2,812	203	—	(3)	—	3,012
Consumer—non-cyclical	780	41	—	(9)	—	812
Technology and communications	999	71	—	(4)	—	1,066
Industrial	1,178	65	—	(18)	—	1,225
Capital goods	605	31	—	(5)	—	631
Consumer—cyclical	535	14	—	—	—	549
Transportation	525	70	—	(1)	—	594
Other	3,169	257	—	(15)	—	3,411
Total non-U.S. corporate (1)	<u>13,395</u>	<u>963</u>	<u>—</u>	<u>(95)</u>	<u>—</u>	<u>14,263</u>
Residential mortgage-backed (2)	4,871	362	13	(17)	(1)	5,228
Commercial mortgage-backed	2,564	143	4	(9)	—	2,702
Other asset-backed (2)	3,735	23	1	(54)	—	3,705
Total fixed maturity securities	<u>55,854</u>	<u>5,666</u>	<u>38</u>	<u>(281)</u>	<u>(1)</u>	<u>61,276</u>
Equity securities	250	32	—	(7)	—	275
Total available-for-sale securities	<u>\$ 56,104</u>	<u>\$ 5,698</u>	<u>\$ 38</u>	<u>\$ (288)</u>	<u>\$ (1)</u>	<u>\$61,551</u>

(1) Fair value included European periphery exposure of \$230 million in Ireland, \$172 million in Spain, \$118 million in Italy and \$16 million in Portugal.

(2) Fair value included \$56 million collateralized by sub-prime residential mortgage loans and \$86 million collateralized by Alt-A residential mortgage loans.

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Fixed maturity securities decreased \$425 million principally from lower net unrealized gains attributable to changes in interest rates as well as changes in foreign exchange rates from the strengthening of the U.S. dollar in the current year. These decreases were partially offset by purchases exceeding sales and maturities in the current year.

The majority of our unrealized losses were related to securities held in our U.S. Life Insurance segment. Our U.S. Mortgage Insurance segment had gross unrealized losses of \$25 million and \$21 million as of September 30, 2015 and December 31, 2014, respectively.

Our exposure in peripheral European countries consists of fixed maturity securities in Portugal, Ireland, Italy and Spain. Investments in these countries are primarily made to support our international businesses and to diversify our U.S. corporate fixed maturity securities with European bonds denominated in U.S. dollars. During the nine months ended September 30, 2015, our exposure to the peripheral European countries increased by \$228 million to \$764 million with unrealized gains of \$28 million. Our exposure as of September 30, 2015 was diversified with direct exposure to local economies of \$193 million, indirect exposure through debt issued by subsidiaries outside of the European periphery of \$104 million and exposure to multinational companies where the majority of revenues come from outside of the country of domicile of \$467 million.

Commercial mortgage loans

The following tables set forth additional information regarding our commercial mortgage loans as of the dates indicated:

(Dollar amounts in millions)	September 30, 2015				
	Total recorded investment	Number of loans	Loan-to-value ⁽¹⁾	Delinquent principal balance	Number of delinquent loans
Loan Year					
2004 and prior	\$ 658	379	35%	\$ —	—
2005	588	158	51%	—	—
2006	761	191	52%	—	—
2007	588	153	64%	6	1
2008	157	30	61%	—	—
2009	—	—	— %	—	—
2010	94	17	54%	—	—
2011	233	49	54%	—	—
2012	629	92	59%	—	—
2013	828	138	62%	—	—
2014	943	150	68%	—	—
2015	672	97	67%	—	—
Total	\$ 6,151	1,454	58%	\$ 6	1

(1) Represents weighted-average loan-to-value as of September 30, 2015.

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(Dollar amounts in millions)	December 31, 2014				
	Total recorded investment	Number of loans	Loan-to-value ⁽¹⁾	Delinquent principal balance	Number of delinquent loans
Loan Year					
2004 and prior	\$ 722	393	37%	\$ —	—
2005	875	225	53%	—	—
2006	802	215	59%	2	1
2007	664	148	68%	—	—
2008	230	51	63%	6	1
2009	—	—	— %	—	—
2010	115	54	44%	—	—
2011	264	53	56%	—	—
2012	647	94	60%	—	—
2013	845	138	64%	—	—
2014	959	150	69%	—	—
Total	\$ 6,123	1,521	59%	\$ 8	2

(1) Represents weighted-average loan-to-value as of December 31, 2014.

Other invested assets

The following table sets forth the carrying values of our other invested assets as of the dates indicated:

(Amounts in millions)	September 30, 2015		December 31, 2014	
	Carrying value	% of total	Carrying value	% of total
Derivatives	\$ 1,325	48%	\$ 1,132	51%
Trading securities	458	16	241	11
Short-term investments	376	14	274	12
Securities lending collateral	367	13	289	13
Limited partnerships	195	7	252	11
Other investments	52	2	56	2
Total other invested assets	\$ 2,773	100%	\$ 2,244	100%

Trading securities and short-term investments increased from higher net purchases in the current year. Derivatives increased primarily attributable to changes in the long-term interest rate environment in the current year.

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Derivatives

The activity associated with derivative instruments can generally be measured by the change in notional value over the periods presented. However, for GMWB and fixed index annuity embedded derivatives, the change between periods is best illustrated by the number of policies. The following tables represent activity associated with derivative instruments as of the dates indicated:

(Notional in millions)	Measurement	December 31, 2014	Additions	Maturities/ terminations	September 30, 2015
Derivatives designated as hedges					
Cash flow hedges:					
Interest rate swaps	Notional	\$ 11,961	\$ —	\$ (43)	\$ 11,918
Inflation indexed swaps	Notional	571	13	(11)	573
Foreign currency swaps	Notional	35	—	—	35
Total cash flow hedges		<u>12,567</u>	<u>13</u>	<u>(54)</u>	<u>12,526</u>
Total derivatives designated as hedges		<u>12,567</u>	<u>13</u>	<u>(54)</u>	<u>12,526</u>
Derivatives not designated as hedges					
Interest rate swaps	Notional	5,074	1,850	(893)	6,031
Interest rate swaps related to securitization entities	Notional	77	—	(8)	69
Credit default swaps	Notional	394	—	(250)	144
Credit default swaps related to securitization entities	Notional	312	—	—	312
Equity index options	Notional	994	483	(517)	960
Financial futures	Notional	1,331	4,251	(4,280)	1,302
Equity return swaps	Notional	108	286	(263)	131
Foreign currency swaps	Notional	104	37	—	141
Forward bond purchase commitments	Notional	—	1,140	—	1,140
Other foreign currency contracts	Notional	425	1,136	(810)	751
Total derivatives not designated as hedges		<u>8,819</u>	<u>9,183</u>	<u>(7,021)</u>	<u>10,981</u>
Total derivatives		<u>\$ 21,386</u>	<u>\$ 9,196</u>	<u>\$ (7,075)</u>	<u>\$ 23,507</u>
(Number of policies)					
Derivatives not designated as hedges					
GMWB embedded derivatives	Policies	39,015	—	(2,202)	36,813
Fixed index annuity embedded derivatives	Policies	13,901	2,950	(275)	16,576
Indexed universal life embedded derivatives	Policies	421	395	(25)	791

The increase in the notional value of derivatives was primarily attributable to an increase in our non-qualified interest rate swaps and increase in our forward bond commitments related to a non-qualified derivative strategy to mitigate interest rate risk associated with our statutory capital position.

The number of policies related to our GMWB embedded derivatives decreased as variable annuity products are no longer being offered. The number of policies related to our fixed index annuity and indexed universal life embedded derivatives increased as a result of product sales in the current year.

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Consolidated Balance Sheets

Total assets. Total assets decreased \$3,136 million from \$111,358 million as of December 31, 2014 to \$108,222 million as of September 30, 2015.

- Cash, cash equivalents and invested assets decreased \$874 million primarily from a decrease of \$1,050 million in cash and cash equivalents, partially offset by an increase of \$176 million in invested assets. Other invested assets increased \$529 million from higher trading securities and short-term investments as a result of net purchases in the current year and an increase in derivatives driven by the changes in the long-term interest rate environment. Our fixed maturity securities decreased \$425 million principally from lower net unrealized gains attributable to changes in interest rates as well as changes in foreign exchange rates from the strengthening of the U.S. dollar in the current year. These decreases were partially offset by purchases exceeding sales and maturities in the current year.
- Deferred acquisition costs decreased \$412 million primarily attributable to an impairment of \$455 million as a result of loss recognition testing of certain term life insurance policies in the current year as part of a life block transaction.
- Separate account assets decreased \$1,315 million driven by surrenders and benefits as well as unfavorable market performance in the current year.

Total liabilities. Total liabilities decreased \$1,755 million from \$94,561 million as of December 31, 2014 to \$92,806 million as of September 30, 2015.

- Future policy benefits increased \$557 million primarily driven by an increase of \$1,038 million in our long-term care insurance business largely from the aging and growth of the in-force block, partially offset by a decrease of \$423 million in our fixed annuities business as surrenders and benefits exceeded deposits as a result of lower production in the current year.
- Liability for policy and contract claims increased \$128 million primarily driven by an increase of \$367 million in our long-term care insurance business largely as a result of aging and growth of the in-force block and higher severity and frequency of new claims in the current year. This increase was partially offset by a decrease of \$227 million in our U.S. mortgage insurance business principally from a decline in new delinquencies and favorable aging on existing delinquencies in the current year.
- Unearned premiums decreased \$207 million primarily driven by our international mortgage insurance business largely attributable to changes in foreign exchange rates in the current year.
- Deferred tax liability decreased \$657 million primarily from a decrease in unrealized net investment gains in the current year.
- Separate account liabilities decreased \$1,315 million by surrenders and benefits as well as unfavorable market performance in the current year.

Total stockholders' equity. Total stockholders' equity decreased \$1,381 million from \$16,797 million as of December 31, 2014 to \$15,416 million as of September 30, 2015.

- Additional paid-in capital decreased \$53 million largely attributable to the additional sale of our shares of our Australian mortgage insurance business in May 2015, which reduced our ownership percentage from 66.2% to 52.0%.
- We reported a net loss available to Genworth Financial, Inc.'s common stockholders of \$323 million during the nine months ended September 30, 2015.
- Accumulated other comprehensive income (loss) decreased \$968 million predominantly attributable to lower net unrealized investment gains mainly related to changes in the long-term interest rate environment in the current year. Foreign currency translation also decreased related to the strengthening of the U.S. dollar in the current year.

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Liquidity and Capital Resources

Liquidity and capital resources represent our overall financial strength and our ability to generate cash flows from our businesses, borrow funds at competitive rates and raise new capital to meet our operating and growth needs.

Genworth and subsidiaries

The following table sets forth our unaudited condensed consolidated cash flows for the nine months ended September 30:

<u>(Amounts in millions)</u>	<u>2015</u>	<u>2014</u>
Net cash from operating activities	\$ 1,158	\$ 1,140
Net cash from investing activities	(2,163)	(2,003)
Net cash from financing activities	(19)	149
Net decrease in cash before foreign exchange effect	<u>\$ (1,024)</u>	<u>\$ (714)</u>

Our principal sources of cash include sales of our products and services, income from our investment portfolio and proceeds from sales of investments. As an insurance business, we typically generate positive cash flows from operating activities, as premiums collected from our insurance products and income received from our investments exceed policy acquisition costs, benefits paid, redemptions and operating expenses. These positive cash flows are then invested to support the obligations of our insurance and investment products and required capital supporting these products. Our cash flows from operating activities are affected by the timing of premiums, fees and investment income received and benefits and expenses paid. Cash inflows from operating activities in the current year increased compared to the prior year primarily from lower tax payments and an increase in cash collateral received from counterparties primarily as a result of the change in derivatives in the current year, partially offset by purchases of trading securities in the current year compared to sales of trading securities in the prior year.

In analyzing our cash flow, we focus on the change in the amount of cash available and used in investing activities. Cash outflows from investing activities in the current year increased compared to the prior year from higher purchases, net of sales and maturities, of fixed maturity securities in the current year as well as net purchases of short-term investments in the current year compared to net maturities and sales of short-term investments in the prior year.

Changes in cash from financing activities primarily relate to the issuance of, and redemptions and benefit payments on, universal life insurance and investment contracts; the issuance and acquisition of debt and equity securities; the issuance and repayment or repurchase of borrowings and non-recourse funding obligations; and dividends to our stockholders and other capital transactions. We had cash outflows from financing activities in the current year compared to cash inflows in the prior year primarily from lower deposits to our investment contracts, partially offset by lower withdrawals from our investment contracts. In 2015, the proceeds from the sale of additional shares of our Australian mortgage insurance business in May 2015 were partially offset by higher cash dividends paid to noncontrolling interests related to our Australian mortgage insurance business. In 2014, the proceeds from the IPO of 33.8% of our Australian mortgage insurance business and the issuance of senior notes by Genworth Canada were mostly offset by the repayment of senior notes in that year.

In the United States and Canada, we engage in certain securities lending transactions for the purpose of enhancing the yield on our investment securities portfolio. We maintain effective control over all loaned securities and, therefore, continue to report such securities as fixed maturity securities on the consolidated balance sheets. We are currently indemnified against counterparty credit risk by the intermediary. See note 8 in our unaudited condensed consolidated financial statements under "Item 1—Financial Statements" for additional information related to our securities lending program.

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We also have a repurchase program in which we sell an investment security at a specified price and agree to repurchase that security at another specified price at a later date. See note 8 in our unaudited condensed consolidated financial statements under “Item 1—Financial Statements” for additional information related to our repurchase program.

Genworth—holding company

Genworth Financial and Genworth Holdings each acts as a holding company for their respective subsidiaries and do not have any significant operations of their own. Dividends from their respective subsidiaries, payments to them under tax sharing and expense reimbursement arrangements with their subsidiaries and proceeds from borrowings or securities issuances are their principal sources of cash to meet their obligations. Insurance laws and regulations regulate the payment of dividends and other distributions to Genworth Financial and Genworth Holdings by their insurance subsidiaries. We expect dividends paid by the insurance subsidiaries will vary depending on strategic objectives, regulatory requirements and business performance.

The primary uses of funds at Genworth Financial and Genworth Holdings include payment of holding company general operating expenses (including taxes), payment of principal, interest and other expenses on current and any future borrowings, payments under current and any future guarantees (including guarantees of certain subsidiary obligations), payment of amounts owed to GE under the Tax Matters Agreement, payments to subsidiaries (and, in the case of Genworth Holdings, to Genworth Financial) under tax sharing agreements, contributions to subsidiaries, repurchases of debt and equity securities and, in the case of Genworth Holdings, loans, dividends or other distributions to Genworth Financial. In deploying future capital, important current priorities include focusing on our operating businesses so they remain appropriately capitalized, and accelerating progress on reducing overall indebtedness. We may from time to time seek to repurchase or redeem outstanding notes for cash (with cash on hand, proceeds from the issuance of new debt and/or the proceeds from asset or stock sales) in open market purchases, tender offers, privately negotiated transactions or otherwise. We currently seek to reduce our indebtedness over time through repurchases, redemptions and/or repayments at maturity.

Our Board of Directors has suspended the payment of dividends on our common stock indefinitely. The declaration and payment of future dividends to holders of our common stock will be at the discretion of our Board of Directors and will be dependent on many factors including the receipt of dividends from our operating subsidiaries, our financial condition and operating results, the capital requirements of our subsidiaries, legal requirements, regulatory constraints, our credit and financial strength ratings and such other factors as the Board of Directors deems relevant. In addition, our Board of Directors has suspended repurchases of our common stock under our stock repurchase program indefinitely. The resumption of our stock repurchase program will be at the discretion of our Board of Directors.

Genworth Holdings had \$733 million and \$953 million of cash and cash equivalents as of September 30, 2015 and December 31, 2014, respectively. As of September 30, 2015, cash and cash equivalents of Genworth Holdings included approximately \$98 million of restricted cash. Genworth Holdings also held \$250 million and \$150 million in U.S. government securities as of September 30, 2015 and December 31, 2014, respectively.

During the nine months ended September 30, 2015, we received common stock dividends from our international subsidiaries of \$446 million, of which \$94 million was received in the third quarter of 2015. Dividends in the current year included \$173 million of proceeds from the sale of additional shares in our Australian mortgage insurance business in May 2015 and approximately \$50 million of the remaining proceeds were distributed to Genworth Holdings through payments made under tax sharing agreements in the third quarter of 2015. We also made capital contributions to one of our life subsidiaries of \$25 million during the nine months ended September 30, 2015.

In July 2015, Genworth Holdings purchased for approximately \$200 million preferred securities of one of our life insurance subsidiaries that were previously held by our U.S. mortgage insurance subsidiaries in order to

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assist those subsidiaries with their progress in complying with the final PMIERS by the effective date. Genworth Holdings received dividends of approximately \$8 million from these preferred securities in the third quarter of 2015.

During the three months ended September 30, 2015, Genworth Holdings repurchased \$50 million aggregate principal amount of its senior notes for a pre-tax loss of \$1 million and paid accrued and unpaid interest thereon. See note 9 in our unaudited condensed consolidated financial statements under “Item 1—Financial Statements” for additional information related to borrowings.

Regulated insurance subsidiaries

The liquidity requirements of our regulated insurance subsidiaries principally relate to the liabilities associated with their various insurance and investment products, operating costs and expenses, the payment of dividends to us, contributions to their subsidiaries, payment of principal and interest on their outstanding debt obligations and income taxes. Liabilities arising from insurance and investment products include the payment of benefits, as well as cash payments in connection with policy surrenders and withdrawals, policy loans and obligations to redeem funding agreements.

Our insurance subsidiaries have used cash flows from operations and investment activities to fund their liquidity requirements. Our insurance subsidiaries’ principal cash inflows from operating activities are derived from premiums, annuity deposits and insurance and investment product fees and other income, including commissions, cost of insurance, mortality, expense and surrender charges, contract underwriting fees, investment management fees and dividends and distributions from their subsidiaries. The principal cash inflows from investment activities result from repayments of principal, investment income and, as necessary, sales of invested assets.

Our insurance subsidiaries maintain investment strategies intended to provide adequate funds to pay benefits without forced sales of investments. Products having liabilities with longer durations, such as certain life insurance and long-term care insurance policies, are matched with investments having similar duration such as long-term fixed maturity securities and commercial mortgage loans. Shorter-term liabilities are matched with fixed maturity securities that have short- and medium-term fixed maturities. In addition, our insurance subsidiaries hold highly liquid, high quality short-term investment securities and other liquid investment grade fixed maturity securities to fund anticipated operating expenses, surrenders and withdrawals. As of September 30, 2015, our total cash, cash equivalents and invested assets were \$75.9 billion. Our investments in privately placed fixed maturity securities, commercial mortgage loans, policy loans, limited partnership interests and select mortgage-backed and asset-backed securities are relatively illiquid. These asset classes represented approximately 32% of the carrying value of our total cash, cash equivalents and invested assets as of September 30, 2015.

As of September 30, 2015, our U.S. mortgage insurance business would be compliant with the PMIERS capital requirements, and would hold a reasonable amount in excess of these capital requirements, giving effect to: (i) two previously completed excess of loss reinsurance transactions with a panel of reinsurers, both effective July 1, 2015, that we expect will provide up to approximately \$300 million of PMIERS credit as of December 31, 2015; (ii) a recently completed intercompany sale of the U.S. mortgage insurance business’ ownership interest in affiliated preferred securities for approximately \$200 million; (iii) an internal corporate entity restructuring completed on October 1, 2015; and (iv) a reinsurance transaction covering our 2015 book year entered into with a panel of reinsurers which is pending GSE approval, which we expect will provide up to an additional \$225 million of PMIERS capital credit as of December 31, 2015. In addition, we expect the estimated net proceeds of approximately \$55 million from the sale of our European mortgage insurance business, announced on October 27, 2015, will provide additional PMIERS capital credit to our U.S. mortgage insurance business in 2016 upon closing. Our U.S. mortgage insurance business may execute future capital transactions to maintain a prudent level of financial flexibility in excess of the PMIERS capital requirements given the dynamic nature of asset and requirement valuations over time, including additional reinsurance transactions and contributions of holding company cash.

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In July 2015, our indirect majority-owned subsidiary, Genworth Financial Mortgage Insurance Pty Limited, issued AUD\$200 million of subordinated floating rate notes due 2025 with an interest rate of three-month Bank Bill Swap reference rate plus a margin of 3.50%. Genworth Financial Mortgage Insurance Pty Limited used the proceeds it received from this transaction to redeem AUD\$90 million of its outstanding debt and for general corporate purposes and incurred a \$2 million pre-tax early redemption payment.

In April 2015, Genworth Canada announced acceptance by the Toronto Stock Exchange of its Notice of Intention to Make a Normal Course Issuer Bid (“NCIB”). Pursuant to the NCIB, Genworth Canada may purchase from time to time over the next 12 months, up to an aggregate of 4.7 million of its issued and outstanding common shares. In May 2015, Genworth Canada repurchased 1.4 million of its shares for CAD\$50 million through the NCIB. We participated in the NCIB in order to maintain our overall ownership percentage at 57.3% and received \$23 million in cash.

On October 30, 2015, Genworth Australia announced its intention to commence an on-market share buy-back program. Pursuant to the program, Genworth Australia may purchase its issued and outstanding ordinary shares up to a maximum aggregate value of AUD\$150 million. We expect, as the majority shareholder, to engage in on-market sales transactions during the buy-back period to maintain our approximate ownership position of 52.0%, subject to matters including the prevailing market price of Genworth Australia’s shares during the buy-back, market trading volumes and applicable legal constraints.

Capital resources and financing activities

We believe existing cash held at Genworth Holdings combined with dividends from subsidiaries, payments under tax sharing and expense reimbursement arrangements with subsidiaries and proceeds from borrowings or securities issuances will provide us with sufficient capital flexibility and liquidity to meet our future operating requirements. We actively monitor our liquidity position, liquidity generation options and the credit markets given changing market conditions. We manage liquidity at Genworth Holdings to maintain a minimum balance one and one-half times expected annual debt interest payments plus the additional excess of \$350 million, although the excess amount may be lower during the quarter due to the timing of cash inflows and outflows. We will evaluate the target level of the excess amount as circumstances warrant. We cannot predict with any certainty the impact to us from any future disruptions in the credit markets or the recent or any further downgrades by one or more of the rating agencies of the financial strength ratings of our insurance company subsidiaries and/or the credit ratings of our holding companies. The availability of additional funding will depend on a variety of factors such as market conditions, regulatory considerations, the general availability of credit, the overall availability of credit to the financial services industry, the level of activity and availability of reinsurance, our credit ratings and credit capacity and the performance of and outlook for our business.

Contractual obligations and commercial commitments

Except as described above, there have been no material additions or changes to our contractual obligations and commercial commitments as set forth in our 2014 Annual Report on Form 10-K filed on March 2, 2015.

Securitization Entities

There were no off-balance sheet securitization transactions during the nine months ended September 30, 2015 or 2014.

New Accounting Standards

For a discussion of recently adopted accounting standards, see note 2 in our unaudited condensed consolidated financial statements under “Item 1—Financial Statements.”

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of the loss of fair value resulting from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and equity prices. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying financial instruments are traded. The following is a discussion of our market risk exposures and our risk management practices.

During the third quarter of 2015, credit spreads generally widened continuing the trend seen in the second quarter of 2015. In 2015, U.S. Treasury yields remained at historically low levels. See “—Business trends and conditions” and “—Investments and Derivative Instruments” in “Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further discussion of recent market conditions.

In the third quarter of 2015, the U.S. dollar strengthened against currencies in Australia, Canada and the United Kingdom, as well as the Euro compared to the third quarter of 2014. Compared to the second quarter of 2015, the U.S. dollar also strengthened against currencies in Australia, Canada and the United Kingdom, but weakened slightly against the Euro. The overall strengthening of the U.S. dollar in the third quarter of 2015 generally resulted in lower levels of reported revenues and net income, assets, liabilities and accumulated other comprehensive income (loss) in our U.S. dollar consolidated financial statements. See “Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further discussion on the impact of changes in foreign currency exchange rates.

There were no other material changes in our market risks since December 31, 2014.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of September 30, 2015, an evaluation was conducted under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were not effective solely as a result of a material weakness in our internal control over financial reporting as disclosed in our 2014 Annual Report on Form 10-K. Management has concluded that the material weakness that was present as of December 31, 2014 was also present as of September 30, 2015 because we have not completed testing of enough instances of the newly created and implemented enhanced control procedures in order to conclude on the operating effectiveness.

Previously Identified Material Weakness in Internal Control Over Financial Reporting

As previously disclosed in our 2014 Annual Report on Form 10-K, we did not have adequate controls designed and in place to ensure that we correctly implemented changes made to one of our methodologies as part of our comprehensive long-term care insurance claim reserves review completed in the third quarter of 2014.

Remediation Status

We are currently working to remediate this material weakness and are executing on our detailed project plan for remediation. We have separated our actuarial team responsibilities to provide that one team develops and implements all significant assumption and methodology changes to our long-term care insurance claim reserves while another team determines the nature and scope of the review required as a result of the changes, and then executes the review process. In addition, we re-designed the “review control” over the implementation of assumption and methodology changes to our claim reserves. The re-designed control includes testing of our claim reserves calculation, on an individual claim basis, from the point at which the claim record is included in our policy administration system through the point at which the reserve is reported in our consolidated financial

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statements. These control enhancements are intended to ensure that assumption and methodology changes to our long-term care insurance claim reserves function as intended. We have tested the design of our changes to actuarial team responsibilities and the re-designed “review control” and believe the design is appropriate. We believe these measures will remediate the material weakness identified above and will strengthen our internal control over financial reporting for the calculation of our long-term care insurance claim reserves. We continue to test the ongoing operating effectiveness of the enhanced controls and plan to complete our testing before or in connection with the preparation of our consolidated financial statements for the year ended December 31, 2015. We will consider the material weakness remediated after the applicable remedial controls operate effectively for a sufficient period of time.

Changes in Internal Control Over Financial Reporting During the Quarter Ended September 30, 2015

During the three months ended September 30, 2015, there have not been any changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting other than the internal control changes described above.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

See note 12 in our unaudited condensed consolidated financial statements under “Part 1—Item 1— Financial Statements” for a description of material pending litigation and regulatory matters affecting us.

Item 1A. Risk Factors

The discussion of our business and operations should be read together with the risk factors contained in Item 1A of our 2014 Annual Report on Form 10-K, as updated in Item 1A of our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2015 and June 30, 2015, which describe various risks and uncertainties to which we are or may become subject. These risks and uncertainties have the potential to affect our business, financial condition, results of operations, cash flows, strategies or prospects in a material and adverse manner. Except as disclosed below, there have been no material changes to the risk factors set forth in the above-referenced filings as of September 30, 2015.

We may be unable to successfully develop and execute strategic plans to effectively address our current business challenges.

In connection with the release of our results for the fourth quarter of 2014, we announced that we had commenced a review of a broad range of strategic options to maximize long-term stockholder value. We continue to pursue our strategic options with a focus in three areas: (1) strengthening our long-term care insurance and mortgage insurance businesses, including generating and maintaining PMIERs capital credit; (2) simplifying our business structure and portfolio, including repatriating our BLAIC long-term care insurance business; and (3) increasing our financial strength and flexibility through separate initiatives such as selling blocks of business, reducing ownership of or selling businesses and a multi-step restructuring plan targeting annualized cash savings in excess of \$100 million in early 2016 as well as reducing holding company debt levels over time. In addition, we announced the planned sale of our lifestyle protection insurance business, which had previously been designated as a non-core business for us, the sale of certain blocks of our term life insurance and the sale of our European mortgage insurance business. We reported a significant loss on the sale of our lifestyle protection insurance business given its book value prior to recording the anticipated sale. In addition, we reported an impairment of DAC as a result of loss recognition testing of certain term life insurance policies as part of the sale of certain blocks of our term life insurance. We cannot be sure we will be able to successfully develop and execute on any of our strategic plans to effectively address our current business challenges (including with respect to our long-term care insurance business, ratings and capital), including as a result of: (a) our inability to

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complete the planned sale of: (i) our lifestyle protection insurance business, (ii) certain blocks of our term life insurance or (iii) our European mortgage insurance business at all or on terms anticipated and failure to attract buyers for any other businesses or other assets we may seek to sell, or securities we may seek to issue (if any), in each case, in a timely manner on anticipated, or otherwise acceptable terms; (b) our inability to generate required capital; (c) our failure to obtain any required regulatory, stockholder and/or noteholder approvals or consents or anticipated credit or financial strength ratings; (d) our challenges changing or being more costly or difficult to successfully address than we currently anticipate or the benefits achieved being less than we anticipate; (e) our inability to successfully develop more targeted product features and benefits, strengthen relationships with producers or achieve anticipated cost-savings; and (f) adverse tax or accounting charges. The sale of our lifestyle protection insurance business, certain blocks of our term life insurance and our European mortgage insurance business remain subject to certain closing conditions, including regulatory approvals, and we cannot predict with certainty whether or when these transactions will close or the impact that any purchase price adjustments, including any applicable foreign exchange fluctuations, will have on anticipated proceeds. In addition, even if we are successful in developing and executing our strategic plans, the execution of these plans may have expected or unexpected adverse consequences, including adverse rating actions and adverse tax and accounting charges (such as significant losses on sale of businesses or assets).

We may be unable to increase the capital needed in our businesses in a timely manner and on anticipated terms, including through improved business performance, reinsurance or similar transactions, asset sales, securities offerings or otherwise, in each case as and when required.

We have in the past provided, and currently expect to provide, additional capital to our businesses as necessary (and to the extent we determine it is appropriate to do so) to meet regulatory capital requirements, comply with rating agency requirements, provide capital and liquidity buffers for our businesses to operate and meet unexpected cash flow obligations. We may not be able to fund or raise the required capital as and when required and the amount of capital required may be higher than anticipated. Our inability to fund or raise the capital required in the anticipated timeframes and on the anticipated terms, could have a material adverse impact on our business, results of operations and financial condition, including causing us to reduce our business levels or be subject to a variety of regulatory actions.

For example, we intend to further increase capital in our U.S. life insurance business over time in order to (i) address the reduction in capital resulting from the completion of a comprehensive review of our long-term care insurance claim reserves and (ii) enhance our financial strength and flexibility to maintain our commercial presence and provide for unforeseen events or developments. To increase capital in our U.S. life insurance business, we intend, among other things, at least over the near term, not to pay dividends from our life insurance subsidiaries to the holding company, pursue additional long-term care insurance rate actions, seek opportunities to reduce risk in older blocks of our long-term care insurance business, utilize reinsurance, pursue targeted smaller block transactions or other sales and significantly reduce expenses.

In addition, we intend to support the increased capital needs of our U.S. mortgage insurance business resulting from the final PMIERS. As of September 30, 2015, our U.S. mortgage insurance business would be compliant with the PMIERS capital requirements, and would hold a reasonable amount in excess of these capital requirements, giving effect to: (i) two previously completed excess of loss reinsurance transactions with a panel of reinsurers, both effective July 1, 2015, that we expect will provide up to approximately \$300 million of PMIERS credit as of December 31, 2015; (ii) a recently completed intercompany sale of the U.S. mortgage insurance business' ownership interest in affiliated preferred securities for approximately \$200 million; (iii) an internal corporate entity restructuring completed on October 1, 2015; and (iv) a reinsurance transaction covering our 2015 book year entered into with a panel of reinsurers which is pending GSE approval, which we expect will provide up to an additional \$225 million of PMIERS capital credit as of December 31, 2015. In addition, we expect the estimated net proceeds of approximately \$55 million from the sale of our European mortgage insurance business, announced on October 27, 2015, will provide additional PMIERS capital credit to our U.S. mortgage insurance business in 2016 upon closing. Our U.S. mortgage insurance business may execute future

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capital transactions to maintain a prudent level of financial flexibility in excess of the PMIERS capital requirements given the dynamic nature of asset and requirement valuations over time, including additional reinsurance transactions and contributions of holding company cash. The completion of our additional reinsurance transaction and the implementation of any further reinsurance transactions all depend on market conditions, third-party approvals or other actions (including approval by regulators and the GSEs), and other factors which are outside of our control, and therefore we cannot be sure we will be able to successfully implement these actions on the anticipated timetable and terms or at all, or achieve the anticipated benefits. For a discussion of risks related to our strategic plans, see “—We may be unable to successfully develop and execute strategic plans to effectively address our current business challenges.”

Although we do not currently intend to do so, if circumstances change we may decide to issue equity at Genworth Financial, which would be dilutive to our shareholders, or debt at Genworth Financial or Genworth Holdings (including debt convertible into equity of Genworth Financial), which would increase our leverage. The availability of any additional debt or equity funding will depend on a variety of factors, including, market conditions, regulatory considerations, the general availability of credit and particularly, to the financial services industry, our credit ratings and credit capacity and the performance of and outlook for our business. Market conditions may make it difficult to obtain funding or complete asset sales to generate additional liquidity, especially on short notice and when the demand for additional funding in the market is high. Our access to funding may be further impaired if our credit or financial strength ratings are negatively impacted.

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Item 6. Exhibits

<u>Number</u>	<u>Description</u>
2.1	Irrevocable Offer Deed, dated as of July 22, 2015, by AXA S.A.
2.2	Letter Agreement, dated as of July 22, 2015, by and among Genworth Financial, Inc., Brookfield Life and Annuity Insurance Company Limited, European Group Financing Company Limited, Genworth Financial International Holdings, Inc. and AXA S.A.
2.3	Sale and Purchase Agreement, dated as of September 17, 2015, by and among Genworth Financial, Inc., Brookfield Life and Annuity Insurance Company Limited, European Group Financing Company Limited, Genworth Financial International Holdings, Inc. and AXA S.A.
2.4	Master Agreement, dated as of September 30, 2015, by and between Genworth Life and Annuity Insurance Company and Protective Life Insurance Company
3.2	Amended and Restated Bylaws of Genworth Financial, Inc., dated as of October 5, 2015 (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed on October 5, 2015)
10.1	Assignment and Amending Agreement for Master Agreement, dated October 1, 2015, among Genworth MI Canada Inc., Brookfield Life Assurance Company Limited, Genworth Holdings, Inc., Genworth Financial, Inc., Genworth Financial Mortgage Insurance Company Canada and Genworth Financial International Holdings, LLC
10.2	Assignment and Amending Agreement for Shareholder Agreement, dated October 1, 2015, among Genworth MI Canada Inc., Brookfield Life Assurance Company Limited, Genworth Holdings, Inc., Genworth Financial, Inc., Genworth Mortgage Insurance Corporation, Genworth Mortgage Insurance Corporation of North Carolina and Genworth Financial International Holdings, LLC
10.3	Accession and Retirement Deed, dated September 15, 2015, among Genworth Financial International Holdings, Inc., Genworth Holdings, Inc., Brookfield Life Assurance Company Limited, Genworth Financial, Inc. and Genworth Mortgage Insurance Australia Limited
10.4	Accession and Retirement Deed, dated October 1, 2015, among Genworth Financial International Holdings, LLC, Genworth Holdings, Inc., Brookfield Life Assurance Company Limited, Genworth Financial, Inc. and Genworth Mortgage Insurance Australia Limited
10.5	Form of Cash Retention Award Agreement (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on October 15, 2015)
12	Statement of Ratio of Income to Fixed Charges
31.1	Certification of Thomas J. McInerney
31.2	Certification of Kelly L. Groh
32.1	Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code—Thomas J. McInerney
32.2	Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code—Kelly L. Groh
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GENWORTH FINANCIAL, INC.
(Registrant)

Date: October 30, 2015

By: _____ /s/ Kelly L. Groh
Kelly L. Groh
Executive Vice President and Chief Financial Officer,
and Controller
(Duly Authorized Officer, Principal Financial
Officer and Principal Accounting Officer)

THIS IRREVOCABLE OFFER IS MADE AS A DEED on 22 July, 2015

BY:

- (1) AXA S.A. a corporation incorporated in France registered with the Paris trade and companies register under number 572.093.920, whose registered office is at 25 avenue Matignon, 75008 Paris, France (the "**Purchaser**").

THIS DEED WITNESSES as follows:

1. **BACKGROUND**

- 1.1 The Purchaser wishes to make an irrevocable offer to purchase the Target Group subject to the terms set out in this letter and the undated sale purchase agreement, duly signed by the Purchaser, set out in Schedule 1 (the "**Sale Purchase Agreement**").

2. **INTERPRETATION**

- 2.1 In this Deed, all defined terms have the meaning set out in the Sale Purchase Agreement unless defined otherwise herein.

- 2.2 In this Deed, a reference to:

2.2.1 the singular includes reference to the plural and vice versa; and

2.2.2 a Clause or Schedule, unless the context otherwise requires, is a reference to a Clause of or Schedule to this Deed.

- 2.3 The *ejusdem generis* principle of construction shall not apply to this Deed. Accordingly, general words shall not be given a restrictive meaning by reason of their being preceded or followed by words indicating a particular class of acts, matters or things or by examples falling within the general words. Any phrase introduced by the terms "other", "including", "include" and "in particular" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

- 2.4 The headings in this Deed do not affect its interpretation.

3. **OFFER**

- 3.1 The Purchaser hereby irrevocably and unconditionally offers to purchase the Target Group from the Sellers upon the terms and subject to the conditions set out in the Sale Purchase Agreement (the "**Offer**") and in consideration of the undertakings and warranties set out in the letter from the Seller to the Purchaser of even date herewith.

- 3.2 The Offer shall remain open for acceptance by the Sellers in accordance with Clause 4 on or before the date falling six (6) months after the date hereof (the "**Offer Deadline**").

- 3.3 Without prejudice to Clause 3.2, the Offer shall be irrevocable and shall not be capable of being withdrawn by the Purchaser under any circumstances.

3.4 The Purchaser hereby confirms that it has, as at the date of this Deed duly signed and delivered the Sale Purchase Agreement, which remains undated, to the Sellers.

4. **ACCEPTANCE OF OFFER**

4.1 The Offer may be accepted by the Sellers, at any time prior to the Offer Deadline, in accordance with the following procedure:

4.1.1 each Seller shall duly countersign the Sale Purchase Agreement;

4.1.2 the Sellers shall insert the date of acceptance of the Offer (the “**Acceptance Date**”) on the Sale Purchase Agreement;

4.1.3 subject to Clause 3.2, exchange of the Sale Purchase Agreement between the Sellers and the Purchaser shall be deemed to be effective immediately following insertion of the Acceptance Date on the Sale Purchase Agreement; and

4.1.4 within five (5) Business Days following the Acceptance Date, each Seller shall deliver the dated Sale Purchase Agreement, duly countersigned by such Seller, to the Purchaser.

5. **INTERIM PERIOD**

5.1 The Purchaser irrevocably and unconditionally undertakes to comply, as from the date of this Deed, with the relevant provisions of clauses 3 (*Conditions Precedent*) and 4 (*Pre-Completion Matters*), 14 (*Announcements and Confidentiality*) and 16 (*Notices*) of the Sale Purchase Agreement as if such clauses had entered into force as from the date of this Deed.

5.2 The Purchaser hereby acknowledges that transactions contemplated under this Deed give rise to certain French works council and health and safety committee obligations on the Sellers under Applicable Law and undertakes to co-operate as reasonably necessary with the Sellers to complete the information and consultation process in respect thereof in accordance with Applicable Law.

6. **PURCHASER’S WARRANTIES**

As of the date of this Deed, the Purchaser warrants to the Sellers in the terms of the Purchaser’s Warranties set out in clause 12 (*Purchaser’s Warranties*) of the Sale Purchase Agreement.

7. **BENEFIT OF DEED**

7.1 This Deed shall take effect as a Deed for the benefit of each Seller.

7.2 This Deed shall enure to the benefit of each Seller and its (and any subsequent) successors and assigns, each of which shall be entitled severally to enforce this Deed against the Purchaser.

7.3 The Purchaser shall not be entitled to assign or transfer all or any of its rights, benefits and obligations under this Deed.

8. **CONFIDENTIALITY**

The terms of this Deed and the Sale Purchase Agreement are confidential and are subject to the terms of the Confidentiality Agreement dated 9 February 2015 among the Purchaser and the Sellers, which the Purchaser acknowledges and agrees remains in full force and effect following the delivery of this Deed.

9. **PARTIAL INVALIDITY**

Should any provision of this Deed be or become invalid or unenforceable, the validity or enforceability of the other provisions of this Deed shall not be affected thereby. The invalid or unenforceable provision shall be deemed to be substituted by a suitable and equitable provision which, to the extent legally permissible, comes as close as possible to the intent and purpose of the invalid or unenforceable provision.

10. **GOVERNING LAW**

This Deed and any non-contractual obligations arising out of or in connection with it shall be governed by English law.

11. **JURISDICTION**

The courts of England have exclusive jurisdiction to settle any dispute, arising out of or in connection with this Deed (including a dispute relating to the existence, validity or termination of this Deed or any non-contractual obligation arising out of or in connection with this Deed) or the consequences of its nullity.

SCHEDULE 1*
SALE PURCHASE AGREEMENT

* The Exhibits and Schedules to this agreement have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. The Company will furnish copies of any of the Exhibits or the Schedules to the Securities and Exchange Commission upon request.

IN WITNESS WHEREOF this Deed has been executed by the Purchaser and is intended to be and is hereby delivered on the date first above written

Executed as a deed for and on behalf of **AXA S.A.**

By: Helen Jane Paul

Title: Group Legal Head of M&A

Signature: */s/Helen Jane Paul*



AXA S.A.
25 avenue Matignon
75008 Paris
France

For the attention of: Denis Duverne

22 July 2015

Dear Sirs

Offer pursuant to Irrevocable Offer Deed

1. We refer to the irrevocable offer deed made on or around the date of this letter by AXA S.A. (the "**Purchaser**") (the "**Irrevocable Offer Deed**"), a copy of which is attached to this letter at Annex I, and the agreed form sale purchase agreement (the "**Sale Purchase Agreement**"), a copy of which is attached to this letter at Annex II. Unless otherwise defined herein, defined terms shall have the same meaning in this letter as in the Irrevocable Offer Deed.
2. We further refer to the Offer made by the Purchaser pursuant to clause 3.1 of the Irrevocable Offer Deed. In consideration for the Offer, subject to paragraph 3 below, we shall, from the date of this letter until the earlier of (i) the Offer Deadline and (ii) the Acceptance Date, procure that no member of the Sellers' Group (as defined in the Sale Purchase Agreement) shall:
 - (i) enter into any discussions or negotiations with any person (other than with the Purchaser);
 - (ii) commence or continue any discussions or negotiations with any person (other than with the Purchaser);
 - (iii) enter into, or commit to enter into, any agreement with any person (other than with the Purchaser),in connection with any transaction relating to the sale, transfer or other business combination involving some or all of the Target Group (as defined in the Sale Purchase Agreement) (the "**Restrictions**").
3. The Restrictions shall not apply to restrict the ability of the Sellers (as defined in the Sale Purchase Agreement) to comply with their obligations set out in clauses 3 (*Conditions Precedent*), 4 (*Pre-Completion Matters*) (including Schedule 13) and 14 (*Announcements and Confidentiality*) of the Sale Purchase Agreement and paragraph 4 below.

4. We hereby agree that clauses 3 (*Conditions Precedent*), 4 (*Pre-Completion Matters*), 14 (*Announcements and Confidentiality*) and 16 (*Notices*) of the Sale Purchase Agreement shall apply as if such clauses had entered into force as from the date of this letter and we hereby undertake to comply with our respective obligations under the Sale Purchase Agreement set out in such clauses as from the date of this letter.
5. As of the date of this letter, we hereby warrant to you in the terms of the Warranties set out in clauses 10.1 and 10.2 (*Sellers' Warranties, Indemnity and Liability*) and schedule 4 (*Sellers' Warranties*) of the Sale Purchase Agreement, qualified by and subject to the disclosures set out in clauses 10.1, 10.2 and 10.4 and paragraph 2 of schedule 5 of the Sale Purchase Agreement and the disclosure letter dated on or around the date of this letter, a copy of which is attached to this letter at Annex III. We acknowledge that the Offer made by the Purchaser under the Irrevocable Offer Deed is made in reliance upon the Warranties.
6. We hereby acknowledge that the transactions contemplated under this letter and the Irrevocable Offer Deed give rise to certain French Works Council obligations under Applicable Law and undertake to use reasonable endeavours to complete the information and consultation process in respect thereof in accordance with Applicable Law (the "**WC Consultation Requirement**").
7. Each of the Sellers undertakes that it shall not, and shall procure that no member of the Seller's Group shall, without the prior written consent of the Purchaser (such consent not to be unreasonably withheld or delayed):
 - (i) enter into any agreement or understanding with, or make any commitment to, any Works Council representative(s) that would restrict the operations of, or impose any obligations on, the Purchaser or any member of the Target Group or the Purchaser's Group (including, without limitation, in relation to the terms of employment or employment benefits of employees of any member of the Target Group); or
 - (ii) do anything that it reasonably considers is likely to prejudice a favourable or expeditious outcome of the WC Consultation Requirement.
8. The Sellers and the Purchaser will consult with each other and consider in good faith any issues and proposals in relation to the Offer that may be raised as part of the WC Consultation Requirement by the Works Council, provided that the Purchaser's obligation in this respect will be limited to such consultation and consideration in good faith and the Purchaser shall not be obliged to agree to any modification to the Offer, the Sale Purchase Agreement or any other documentation related thereto.
9. The Sellers shall regularly update the Purchaser of the progress of the WC Consultation Requirement and shall promptly inform the Purchaser of any communications received from the Works Council in connection therewith.
10. Within three (3) Business Days of completing the WC Consultation Requirement we shall notify the Purchaser whether or not we accept the Offer. Should we accept the offer we shall immediately:
 - (i) duly countersign the Sale Purchase Agreement;

-
- (ii) insert the date of acceptance of the Offer on the Sale Purchase Agreement (being the Acceptance Date); and
 - (iii) within five (5) Business Days following the Acceptance Date, deliver the dated Sale Purchase Agreement, duly countersigned by each Seller, to the Purchaser.
11. In the event that we accept the Offer, the rights and obligations of the Purchaser and the Sellers under the Irrevocable Offer Deed and this letter shall be wholly superseded by the terms of the Sale Purchase Agreement and neither the Purchaser nor the Sellers shall have any continuing rights or obligations under the Irrevocable Offer Deed or this letter.
 12. In the event that we do not accept the Offer within the three (3) Business Day period referred to in paragraph 10 above, we agree to notify the Purchaser immediately and pay to the Purchaser an amount in cash equal to EUR 23,750,000 within three (3) Business Days of such notice by wire transfer of immediately available funds to the account specified in writing by the Purchaser in its request. We and the Purchaser agree that the payment under this paragraph 12 shall be the exclusive remedy available to the Purchaser pursuant to this letter and that the Purchaser shall not be entitled to any remedy, payment or damages of any kind, including with respect to any breach of this letter by us, unless we do not accept the Offer in accordance with the terms of paragraph 10 above but shall be without prejudice to any claim the Purchaser may have for breach by us of the provisions of the Sale Purchase Agreement which are incorporated into this letter if such Sale Purchase Agreement is executed by us and the breach took place at a time prior to the execution thereof.
 13. This letter and any non-contractual obligations arising out of or in connection with it shall be governed by English law.
 14. The courts of England have exclusive jurisdiction to settle any dispute, arising out of or in connection with this letter (including a dispute relating to the existence, validity or termination of this letter or any non-contractual obligation arising out of or in connection with this letter) or the consequences of its nullity.

Yours faithfully

/s/ Ward E. Bobitz

For and on behalf of

Brookfield Life and Annuity Insurance Company Limited

Name: Ward E. Bobitz

Position: President

/s/ Ward E. Bobitz

For and on behalf of

European Group Financing Company Limited

Name: Ward E. Bobitz

Position: Director

/s/ Ward E. Bobitz

For and on behalf of

Genworth Financial International Holdings, Inc.

Name: Ward E. Bobitz

Position: Vice President

/s/ Ward E. Bobitz

For and on behalf of

Genworth Financial, Inc.

Name: Ward E. Bobitz

Position: Executive Vice President

We hereby confirm our acceptance of and agreement to the terms of this letter.

/s/ Helen Jane Paul

For and on behalf of
AXA S.A.

Name: Helen Jane Paul

Position: Group Legal Head of M&A

ANNEX I*

IRREVOCABLE OFFER DEED

* The Exhibits, Annexes and Schedules to this agreement have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. The Company will furnish copies of any of the Exhibits, Annexes or the Schedules to the Securities and Exchange Commission upon request.

ANNEX II*
SALE PURCHASE AGREEMENT

* The Exhibits, Annexes and Schedules to this agreement have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. The Company will furnish copies of any of the Exhibits, Annexes or the Schedules to the Securities and Exchange Commission upon request.

ANNEX III*
DISCLOSURE LETTER

* The Exhibits, Annexes and Schedules to this agreement have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. The Company will furnish copies of any of the Exhibits, Annexes or the Schedules to the Securities and Exchange Commission upon request.

DATED 17 SEPTEMBER 2015

BROOKFIELD LIFE AND ANNUITY INSURANCE COMPANY LIMITED

AND

EUROPEAN GROUP FINANCING COMPANY LIMITED

AND

GENWORTH FINANCIAL INTERNATIONAL HOLDINGS, INC.

AND

GENWORTH FINANCIAL, INC.

AND

AXA S.A.

AGREEMENT

**for the Sale and Purchase of
Genworth Financial European Group Holdings Limited;
Financial Insurance Guernsey PCC Limited; Genworth Consulting Services (Beijing)
Limited; Genworth General Services Asia Limited and
CFI Administrators Limited**

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BETWEEN:

- (1) **BROOKFIELD LIFE AND ANNUITY INSURANCE COMPANY LIMITED** a company with limited liability incorporated in Bermuda with registered number 45538, whose registered office is at Clarendon House, 2 Church Street, Hamilton, HM 11 Bermuda (“**BLAIC**”);
- (2) **EUROPEAN GROUP FINANCING COMPANY LIMITED** a company incorporated and existing under the laws of the Cayman Islands with registered number 178071, whose registered office is at 87 Mary Street, George Town, Grand Cayman KY1, Cayman Islands (“**EGF**”);
- (3) **GENWORTH FINANCIAL INTERNATIONAL HOLDINGS, INC.** a corporation organised under the laws of the state of Delaware whose principal place of business is at 6620 W. Broad Street, Richmond, Virginia, 23230 (“**Genworth**”, and together with BLAIC and EGF, the “**Sellers**”);
- (4) **GENWORTH FINANCIAL, INC.** a corporation organised under the laws of the state of Delaware whose principal place of business is at 6620 W. Broad Street, Richmond, Virginia, 23230 (the “**Sellers’ Guarantor**”); and
- (5) **AXA S.A.** a corporation incorporated in France with registered number 572.093.920, whose registered office is at 25 avenue Matignon, 75008 Paris, France (the “**Purchaser**”).

BACKGROUND:

- (A) The Sellers wish to sell, and the Purchaser wishes to purchase, the entire issued share capital of the Companies on the terms and subject to the conditions set out in this Agreement.
- (B) The Sellers’ Guarantor is willing to guarantee the obligations of the Sellers under this Agreement.

IT IS AGREED as follows:

1. **INTERPRETATION**

1.1 In this Agreement capitalised terms are defined as follows:

“**2014 Agreed Accounting Principles**” means US GAAP subject to the items set forth in Part I of the Agreed Accounting Principles;

“**Accounts**” means (a) the audited balance sheet of each Insurance Company and FIGSL as at the Accounts Date and the audited profit and loss account and cash flow statement of each Insurance Company and FIGSL for the year ended on the Accounts

Date (collectively, the “**Audited Accounts**”) and (b) the Target Group’s consolidated balance sheet as at the Accounts Date and the consolidated profit and loss account for the Target Group for the year ended on the Accounts Date and contained in folder 3.4 (document 3.4.7) in the Data Room (the “**Unaudited Accounts**”);

“**Accounts Date**” means 31 December 2014;

“**Accounts Stockholders Equity Amount**” means EUR 734,920,915;

“**Acquired Affiliate**” means a business, assets or an entity that is acquired by or combined with any member of the Sellers’ Group after the Completion Date;

“**Action**” means any criminal, civil, judicial, regulatory or administrative proceeding, suit, claim, FOS complaint or action against a Target Group Company or its agents;

“**Advisory Team**” has the meaning given in clause 4.6(e);

“**Agreed Accounting Principles**” means US GAAP applied consistently with its application in connection with the preparation of the balance sheet included in the Unaudited Accounts and (where applicable as stated therein) taking into account the transactions contemplated by paragraphs 1.3 and 1.4 of Schedule 6, subject to the principles, practices, methodologies and exclusions set forth therein all as stated in the document in the Agreed Form;

“**Agreed Form**” means, in relation to any document, the form of that document which has been initialed for the purpose of identification by the Sellers’ Solicitors and the Purchaser’s Solicitors or otherwise by or on behalf of the Sellers and the Purchaser with such changes as the Sellers and the Purchaser may agree in writing before Completion;

“**Agreement**” means this agreement;

“**Allocation Schedule**” has the meaning given in clause 2.4;

“**Antitrust Authorities**” means the antitrust Regulatory Authorities referred to in Schedule 3;

“**Applicable Account**” means an account maintained by the Purchaser to show underwriting profit (excluding changes in reserves) with respect to the Applicable Business on a basis consistent with the pro forma underwriting profit and loss account and methodology set out in Part I of Schedule 18 for the period from 1 January 2014 until the Final Calculation Date;

“**Applicable Business**” means the business relating to the Insurance Contracts underwritten by one or more of the Insurance Companies covering statutory risk with the Applicable Persons and covering group health and accident risk with private sector persons, in each case, distributed by the Applicable Distributor pursuant to the Applicable Contracts;

“**Applicable Claims Liabilities**” means the Insurance Companies’ liabilities for claims under the terms of the Insurance Contracts included in the Applicable Business from time to time;

“**Applicable Contracts**” means the Distribution Agreements dated 15 October 2014, 19 April 2013 and 2 August 2013, in each case, between the Applicable Distributor, Financial Insurance Company Limited and Financial Assurance Company Limited;

“**Applicable Date**” means, for the purposes of clause 18.8, the date on which a payment or an assessment is to be made;

“**Applicable Distributor**” has the meaning set forth in Schedule 2 of the Disclosure Letter;

“**Applicable GAAP**” has the meaning given in paragraph 2.5 of Schedule 4;

“**Applicable Law**” means all applicable laws (whether statutory or deriving from the common law or equity), binding regulations, the rules and regulations of any applicable stock exchange, any published guidance, published directions or published practice of a Governmental Authority (including any published regulation or published requirement of any Taxation Authority) or the judgment of any court of competent jurisdiction;

“**Applicable Persons**” means the persons listed in Part II of Schedule 6 of the Disclosure Letter;

“**Arbitration**” has the meaning set forth in Schedule 2 of the Disclosure Letter;

“**Assistance**” has the meaning given in paragraph 2.1 of Schedule 9;

“**Authorisations**” has the meaning given in paragraph 2.9 of Schedule 4;

“**Best Estimate**” has the meaning given in paragraph 1 of Schedule 5;

“**BLAGAB**” means basic life assurance and general annuity business as defined in section 57 of the Finance Act 2012;

“**BLAIC Sale Shares**” means the 289,199,235 GFEGH Shares, the GCSB Share Capital, the 3,200,001 GGSA Shares and the 350,002 CFI Shares held by BLAIC which the Purchaser wishes to purchase pursuant to this Agreement;

“**Business Day**” means a day (other than a Saturday or Sunday) on which banks are generally open in London, Paris and New York for normal business;

“**Business IP**” means the Owned IP and all other Intellectual Property Rights used by the Target Group Companies for the purpose of their business on the Offer Date save for such Intellectual Property Rights to be retained by the Sellers in accordance with the terms of the Transitional IP License Agreement;

“**Calculation Period**” has the meaning given in clause 10.9(a);

“**Cayman Loan Notes**” means the GBP 226,200,000 loan notes issued by Genworth Financial UK Holdings Limited and listed on the Cayman Islands Stock Exchange;

“**CFI Share**” means a share of EUR 1.27 in the capital of CFI Administrators Limited;

“**Claim**” means any claim under or pursuant to this Agreement;

“**Clause 10.7 Covenant Claim**” means a claim under any Clause 10.7 Covenant;

“**Clause 10.7 Covenants**” means the covenants in clause 10.7;

“**Companies**” means Genworth Financial European Group Holdings Limited, Financial Insurance Guernsey PCC Limited, Genworth Consulting Services (Beijing) Limited, Genworth General Services Asia Limited and CFI Administrators Limited, further details of which are set out in Part I of Schedule 2, and “**Company**” shall mean any one of them;

“**Company Administrative Services Agreement**” means each of the agreements for administrative services to be entered into between (a) Genworth Seguros Danos, S.A. de C.V. and Genworth Operaciones, S. de R.L. de C.V. and (b) Genworth Seguros Vida, S.A. de C.V. and Genworth Operaciones, S. de R.L. de C.V., as applicable, in substantially the form of the Trust Administrative Services Agreements, with changes required to reflect the fact that the services are to be provided directly to the insurance companies prior to the deauthorization of each insurance company;

“**Competing Business**” has the meaning given in clause 7.1;

“**Complaints-Handling Claim**” means a claim under the covenant in clause 10.7(b);

“**Complaints-Handling Losses**” means all damages, losses, liabilities, penalties, fines, costs, FOS fees, customer redress payments, interest and expenses arising out of or directly relating to any Enforcement Action against a Target Group Company resulting from the complaints-handling processes and complaints-handling activities undertaken by a Target Group Company in the United Kingdom before the Completion Date, including but not limited to complaints-handling with respect to PPI incurred by any Target Group Company whether before or after Completion, but excluding for the avoidance of doubt, any sums which are recovered as PPI Mis-selling Losses;

“**Completion**” means completion of the sale and purchase of the Sale Shares in accordance with this Agreement;

“**Completion Balance Sheet**” has the meaning set forth in clause 2.5;

“**Completion Date**” has the meaning given in clause 5.1;

“**Completion Stockholders Equity Amount**” means the Stockholders Equity of the Companies as set forth in the Completion Balance Sheet, multiplied by the USD to EUR Conversion Rate as of the end of the last day of the month immediately preceding the month during which Completion occurs;

“**Conditions Precedent**” means the conditions precedent set out in Schedule 3 and “**Condition Precedent**” means any one of them;

“**Consideration**” means the total consideration for the Sale Shares payable after giving effect to all adjustments set forth in clause 2;

“**Consideration Adjustment**” has the meaning given in clause 2.7;

“**Conversion Rate**” means the spot closing mid-point rate for a transaction between the two currencies in question on the date immediately preceding the Applicable Date, or such other date specified in the applicable provision hereof, as quoted by Bloomberg Business for 2:30 p.m. (New York City time) as published by Bloomberg FX Fixings or, if no such rate is quoted for that time on that date, at the immediately preceding time for which such rates are quoted;

“**CTA 2010**” means the Corporation Tax Act 2010;

“**Cyber Security Incident**” has the meaning given in paragraph 2.17 of Schedule 4;

“**Damages Payment**” has the meaning given in paragraph 8 of Schedule 5;

“**Data Protection Claim**” means a claim under the covenant in clause 10.7(c);

“**Data Protection Laws**” means the Data Protection Act 1998, the Privacy and Electronic Communications (EC Directive) Regulations 2003, Part I of the Regulation of Investigatory Powers Act 2000 and all other Applicable Law regulating data protection, privacy or the recording, monitoring or interception of communications in any relevant jurisdiction;

“**Data Room**” means the documents referred to in the index of data room documents, in the Agreed Form, annexed to the Disclosure Letter other than the documents in the HR Data Room;

“**Defaulting Party**” has the meaning given in clause 5.4;

“**Disclosure Letter**” means the letter dated as of the Offer Date from the Sellers to the Purchaser in relation to the Warranties;

“**Distribution Agreements**” means each distribution, partnership, bancassurance or similar agreement and any amendment agreements thereto, including reinsurance agreements entered into by any member of the Target Group in which such Target Group member acts as the reinsurer, with a third party to which any Target Group Company is party or is otherwise subject as of the Offer Date relating to the sale or distribution of Insurance Contracts, in each case, including but not limited to those agreements included in folders 5.2.1.6, 10.1.4, 10.1.7 and 10.1.9 of the Data Room and “**Distributor**” means the other party to each Distribution Agreement to which a Target Group Company is party;

“**Divestiture Incentive Plans**” means the Divestiture Incentive Plans (as set out in document 6.4.3 of the HR Data Room);

“**EEA**” means the European Economic Area;

“**EGF Sale Shares**” means the 12,675,850 GFEGH Shares held by EGF which the Purchaser wishes to purchase pursuant to this Agreement;

“**Employees**” means persons who are, as of the Offer Date, employed by the Target Group and who are listed in document 5.1.10 of the HR Data Room;

“**Encumbrance**” means any option, right to acquire, right of pre-emption, third party right or interest, mortgage, charge, pledge, lien or other form of security interest or encumbrance and any agreement to create any of the foregoing;

“**Enforcement Action**” means any action taken by:

- (a) the FSA, PRA or FCA (as the case may be) pursuant to its powers under the FSMA to enforce the relevant Applicable Law, including any handbook of rules and guidance issued pursuant to the FSMA; or
- (b) any other Regulatory Authority or Governmental Authority to enforce the relevant Applicable Law in any jurisdiction by which a Target Group Company (including, for the avoidance of doubt, any branch thereof) is or has been regulated or to which a Target Group Company (including, for the avoidance of doubt, any branch thereof) is or has otherwise been subject;

“**Estimate Date**” means the Business Day immediately prior to the date on which the Estimated Balance Sheet is delivered to the Purchaser pursuant to clause 2.4;

“**Estimated Balance Sheet**” means the estimated consolidated balance sheet of the Companies as of the end of the last day of the month immediately preceding the month during which Completion is expected to occur, prepared in accordance with the Agreed Accounting Principles;

“**Estimated Stockholders Equity Amount**” means the Stockholders Equity of the Companies as set forth in the Estimated Balance Sheet, multiplied by the USD to EUR Conversion Rate as of the Estimate Date;

“**EU Merger Regulation**” means Council Regulation (EC) 139/2004 (as amended);

“**EUR**” means euros;

“**Excess Recovery**” has the meaning given in paragraph 8 of Schedule 5;

“**Fairly Disclosed**” means fair disclosure of facts in sufficient detail to reasonably assess the nature and scope of the matter disclosed;

“**FCA**” means the United Kingdom Financial Conduct Authority;

“**FIG Share**” means a core share of GBP 1.00 and a nominal share of GBP 0.01 in the capital of Financial Insurance Guernsey PCC Limited and all share capital by cell related to any and all cells thereof;

“**FIGSL**” has the meaning given in clause 4.6(a);

“**Final Balance Sheet**” has the meaning given in clause 2.6;

“**Final Calculation Date**” means 31 December 2019;

“**Final Stockholders Equity Amount**” has the meaning given in clause 2.6;

“**Final Underwriting Profit Less Agreed Amount**” shall be the result of (a) EUR 10,000,000, plus (b) the actual underwriting profit (positive) or loss (negative) of the Applicable Business for the Calculation Period shown in the Applicable Account minus, (c) the Applicable Claims Liabilities for the period beginning on the Final Calculation Date until the projected expiry of all liabilities for claims associated with the Insurance Contracts comprised in the Applicable Business, calculated using the methodology set out in Part II of Schedule 18, as such amount is agreed or fully determined pursuant to the process set out in clause 10.9;

“**Financial Database Provider**” has the meaning given in clause 4.6(a);

“**Financial Database Work Order**” has the meaning given in clause 4.6(a);

“**Financial Regulatory Authority**” means the financial Regulatory Authorities referred to in Schedule 3;

“**First Termination Date**” has the meaning given in clause 10.8;

“**Flexible Apportionment Agreement**” means that certain Deed to Substitute the Principal Employer, Terminate the Participation of Employer and Provide for Flexible Apportionment Arrangement among FIGSL, Genworth Financial Mortgage Services Limited, Genworth Financial UK Pension SPV Limited and CFI Pension Trustees Limited which is, in the Agreed Form, attached to the heads of terms executed by the same parties, dated 30 June 2015;

time; “**FOS**” means the Financial Ombudsman Service in the United Kingdom or an equivalent regulatory body performing an equivalent function from time to

time; “**French Expert**” has the meaning given in clause 10.9(c);

“**FSA**” means the United Kingdom Financial Services Authority (now succeeded by the FCA and PRA);

“**FSMA**” means the United Kingdom Financial Services and Markets Act 2000;

“**Fundamental Warranties**” means the Sellers’ Individual Warranties and the statements set out at paragraphs 2.1(a), 2.2 to 2.4, 2.6, 2.7, 2.22 and 3.4(a) of Schedule 4;

“**Fundamental Warranty Claim**” means a claim by the Purchasers the basis of which is that a Fundamental Warranty is, or is alleged to be, untrue or inaccurate;

“**GBP**” means British pounds sterling;

“**GCSB Share Capital**” means the USD 365,000 of share capital of Genworth Consulting Services (Beijing) Limited;

“**Genworth Sale Shares**” means the 792,000 core FIG Shares, the 1 nominal FIG Share and the aggregate 2,429 FIG Shares by cell;

“**Genworth Transitional Services Agreement**” means an agreement for transitional services among the Companies, Genworth and the Purchaser, in the Agreed Form;

“**GFEGH Share**” means a share of GBP 1.00 in the capital of Genworth Financial European Group Holdings Limited;

“**GGSA Share**” means a share of HK \$1.00 in the capital of Genworth General Services Asia Limited;

“**Governmental Authority**” means any multinational, supranational, national, federal, state, provincial or local governmental or judicial or regulatory or supervisory authority, system or body or entity or any subdivision thereof, including without limitation, any Regulatory Authority, any Taxation Authority, agency, court, tribunal, board, commission, instrumentality, division, department, court or other body thereof;

“**HR Data Room**” means the documents referred to in the index of HR Data Room documents, in the Agreed Form, annexed to the Disclosure Letter;

“**HR Database Provider**” has the meaning given in clause 4.6(a);

“**HR Database Work Order**” has the meaning given in clause 4.6(a);

“**Independent Accountant**” means Ernst & Young LLP, or, in the event that Ernst & Young LLP refuses or is otherwise unable to act as the Independent Accountant, an independent and internationally recognized certified public accounting firm mutually agreeable to the parties, cooperating in good faith;

“**Independent Actuary**” has the meaning given in clause 10.9(c);

“**Initial Consideration**” has the meaning given in clause 2.3;

“**Insurance Companies**” means Financial Assurance Company Limited, Financial Insurance Company Limited and Financial Insurance Guernsey PCC Limited;

“**Insurance Companies Accounts**” means the audited balance sheet of each Insurance Company as at the Accounts Date and the audited profit and loss account and cash flow statement of each Insurance Company for the year ended on the Accounts Date;

“**Insurance Contract**” means an insurance contract issued, written or performed by any of the Insurance Companies or any reinsurance contract entered into by any of the Insurance Companies as reinsurer thereunder (including a group insurance contract; and any related document issued to participants in any group scheme to which such group insurance contract applies);

“**Insurance Premium Tax**” means (a) UK insurance premium tax as provided for in the UK Finance Act 1994 and the UK Insurance Premium Tax Regulations 1994 (SI 1994/1774); and (b) any Tax of a similar nature to the tax in (a) which is levied in the European Union;

“**Intellectual Property Rights**” means (a) copyright and related rights, patents, utility models, rights to inventions, database rights and rights in trade marks and service marks, trade names and domain names, designs, computer software, rights to preserve the confidentiality of information (including know-how and trade secrets together “**Know-How**”), rights in get-up, goodwill and the right to sue for passing off and unfair competition, (b) applications for (and rights to apply for and be granted) “renewals or extensions of, and rights to claim priority from, any of the foregoing rights and (c) all other intellectual property rights and equivalent or similar forms of protection existing now or in the future anywhere in the world, in each case whether registered or unregistered;

“**Irish ESOP**” means the Genworth Financial Share Participation Scheme;

“**Irish SERP Payment**” means a payment in respect of the total amount payable to the employee with SSO number 110000042 in lieu of such employee’s on-going participation in the Irish Supplemental Executive Retirement Plan as set out in the Irish SERP Waiver;

“**Irish SERP Waiver**” means the waiver and release signed by the employee with SSO number 110000042 on 10 July 2015 waiving all benefit entitlements payable to or in respect of such employee under the Irish Supplemental Executive Retirement Plan and agreeing to the winding up of that plan as set out in folder 6.4.13 of the HR Data Room;

“**Irish Supplemental Executive Retirement Plan**” means the Genworth Financial Irish Executive Life Assurance and Supplemental Retirement Benefits Plan for the employee with SSO number 110000042 established by an agreement dated 2 June 2009;

“**Irrevocable Offer**” means (a) the irrevocable offer deed in respect of the Target Group entered into by the Purchaser in favour of the Sellers; and (b) the letter from the Sellers to the Purchaser by way of response;

“**IT Contract**” means any third party contract under which an IT System is licensed, leased, supplied, maintained or supported;

“**IT Systems**” means the information and communications technologies used by the Target Group Companies on the Offer Date, including hardware, software, networks and associated documentation;

“**Key Client**” has the meaning given in Schedule 2 of the Disclosure Letter;

“**Key Client Agreement**” means any Distribution Agreement entered into between a Target Group Company and a Key Client;

“**Long Stop Date**” means the date falling nine (9) months after the Offer Date;

“**Material Contract**” means any written contract, agreement or instrument to which any Target Group Company is party or is otherwise subject as of the Offer Date, and in each case that:

- (a) involved aggregate payments by or on behalf of a Target Group Company in excess of USD 250,000 during the twelve (12) months ended 31 December 2014, or the delivery by any Target Group Company of services with a fair market value in excess of USD 250,000 during the twelve (12) month period ended 31 December 2014;
- (b) involved receipt of payments by or on behalf of any Target Group Company in excess of, or any property or services with a fair market value in excess of, USD 250,000 during the twelve (12) month period ended 31 December 2014;
- (c) is a Distribution Agreement;
- (d) is a Reinsurance Contract;
- (e) contains covenants limiting the ability of any Target Group Company in any material respect (taken as a whole) to engage in any line of business or to compete with any person;
- (f) relates to (i) indebtedness incurred by any Target Group Company, (ii) a guarantee by any person of indebtedness, liabilities or obligations of any Target Group Company or (iii) a guarantee by any Target Group Company of indebtedness, liabilities or obligations of any person;

-
- (g) obligates any Target Group Company to conduct any business on an exclusive basis with any person; or
 - (h) is an IT Contract which, if revoked, terminated, or otherwise made ineffective, would materially and adversely impact the ability of any Target Group Company to carry out its business as it did in the twelve (12) months up to the Offer Date;

“**Mortgage Business Transitional Services Agreement**” means an agreement for transitional services among the Companies, Genworth Financial Mortgage Insurance Limited and Genworth Financial Mortgage Services Limited, in the Agreed Form;

“**Mortgage Insurance Business**” means the business of underwriting, issuing, administering, servicing, marketing, reinsuring, brokering, selling or otherwise distributing Mortgage Insurance Products;

“**Mortgage Insurance Products**” means each and any of the following products (that include the insurance or transfer of mortgage credit default risk and (i) are not primarily underwritten on the basis of the life, health, disability or longevity risk of the borrower and (ii) do not insure unemployment risk):

- (a) mortgage insurance policies or contracts (private or otherwise);
- (b) mortgage guarantees;
- (c) insurance or reinsurance of mortgage default risk; or
- (d) any other product that insures or reinsures or otherwise provides protection for commercial or residential mortgage credit default risk;

“**New Financial Database**” has the meaning given in clause 4.6(a);

“**New HR Database**” has the meaning given in clause 4.6(a);

“**New Payroll Agreement**” has the meaning given in clause 4.6(a);

“**Non-Compete Period**” has the meaning given in clause 7.1;

“**Non-Defaulting Party**” has the meaning given in clause 5.4;

“**Notice of Claim**” has the meaning given in paragraph 1 of Schedule 5;

“**Objection Notice**” has the meaning given in clause 2.6;

“**Offer Date**” means the date of the Irrevocable Offer;

“**Owned IP**” means the Intellectual Property Rights owned by the Target Group Companies;

“**Payroll Provider**” has the meaning given in clause 4.6(a);

“**Period**” has the meaning given in clause 8.13(c);

“**PPI**” means payment protection insurance, as such term is commonly understood in the insurance market;

“**PPI Complaint**” means any claim or complaint brought by any person against a Target Group Company in respect of PPI Selling Activity or in respect of the handling by or on behalf of a PPI Distributor or the Relevant Distributor of any claim or complaint in respect of PPI Selling Activity;

“**PPI Distributor**” means a person other than a Key Client who was a Distributor in the United Kingdom with respect to PPI at any time prior to 1 January 2005;

“**PPI Distributor Mis-selling Losses**” means any PPI Mis-selling Losses which arise out of or directly relate to PPI Selling Activity undertaken by a PPI Distributor, its agents or its appointed representatives (as the case may be) prior to 1 January 2005;

“**PPI Distributors Claim**” means a claim under the covenant in clause 10.7(a);

“**PPI Mis-selling Losses**” means all damages, losses, liabilities, penalties, fines, costs, interest and expenses, including for the avoidance of doubt costs and liabilities relating to FOS fees, claim administration, complaints handling, customer notifications and redress amounts, incurred by any Target Group Company whether before or after Completion in respect of:

- (a) defending or supporting the defence of any Action that relates to PPI Selling Activity;
- (b) complying with any order, decision or settlement agreement in respect of such Action; and/or
- (c) any PPI Complaint;

but excluding for the avoidance of doubt, any sums which are recovered as Complaints-Handling Losses.

“**PPI Selling Activity**” means any activity undertaken by a PPI Distributor or the Relevant Distributor (as the case may be) or their agents or appointed representatives (as the case may be) in relation to the sales, marketing or administration of PPI products underwritten by any Target Group Company;

“**PRA**” means the United Kingdom Prudential Regulation Authority;

“**Proceedings**” has the meaning given in paragraph 2.1 of Schedule 9;

“**Property**” has the meaning given in paragraph 2.14 of Schedule 4;

“**Provider**” has the meaning given in paragraph 7.3 of Schedule 5;

“**Purchaser’s Condition**” means the Condition Precedent in paragraph 1 of Schedule 3;

“**Purchaser’s Group**” means the Purchaser and all its holding companies and subsidiaries, and its holding company’s subsidiaries, other than the Target Group, and “**Purchaser’s Group Company**” shall mean any one of them;

“**Purchaser’s Solicitors**” means Clifford Chance LLP of 10 Upper Bank Street, London, E14 5JJ;

“**Purchaser Tax Claim Period**” has the meaning given in paragraph 4.4 of Schedule 5;

“**Recipient**” has the meaning given in paragraph 7.3 of Schedule 5;

“**Regulatory Authority**” means any person, body, court, tribunal, authority, government, local government or regulatory agency with regulatory, supervisory, enforcement, administrative and/or criminal law powers in any jurisdiction;

“**Reinsurance Contracts**” has the meaning given in paragraph 3.3 of Schedule 4;

“**Relevant Authorities**” means the Financial Regulatory Authorities and the Antitrust Authorities;

“**Relevant Date**” means the date which is three (3) years prior to the Offer Date;

“**Relevant Distributor**” has the meaning set forth in Schedule 2 of the Disclosure Letter;

“**Relevant Distributor Agreement**” means the agreement proposed to be entered into between certain Target Group Companies, the Relevant Distributor and certain of its affiliates, in connection with liabilities relating to the sale of Insurance Contracts;

“**Relevant Distributor Dispute**” means (a) any dispute between the Target Group and the Relevant Distributor relating to the allocation of Relevant Distributor Mis-selling Losses or the withholding of profit share from the Relevant Distributor in relation thereto and (b) any dispute relating to the withholding of profit share in respect of such Relevant Distributor Mis-selling Losses by the Target Group from the Relevant Third Party;

“**Relevant Distributor Mis-selling Losses**” means any PPI Mis-selling Losses which arise out of or directly relate to PPI Selling Activity undertaken by the Relevant Distributor or its agents or its appointed representatives (as the case may be) prior to 1 January 2005;

“**Relevant Proportion**” means two-thirds (2/3);

“**Relevant Third Party**” has the meaning set forth in Schedule 2 of the Disclosure Letter;

“**Reserves**” means all the technical provisions of the Insurance Companies as set out in each of the Insurance Companies Accounts (including the mathematical reserves, premium reserves, equalisation reserve, claims reserves, commission reserves and incurred but not reported reserves);

“**Reserving Methodology**” means the reserving assumptions and principles applied by each Insurance Company in calculating the Reserves and disclosed in folders 4.1.5, 4.2.2, 4.2.6, 4.2.7, 4.2.10, 4.2.11, 4.2.17, 3.15.2.1 and 3.15.2.7 in the Data Room;

“**Retrocession Agreements**” means all reinsurance business written by Financial Insurance Guernsey PCC Limited as reinsurer with parties which are not Target Group Companies other than the Sunshine Contracts;

“**Review Committee**” has the meaning given in clause 4.8;

“**Review Period**” has the meaning given in clause 2.6;

“**Sale Shares**” means the BLAIC Sale Shares, the EGF Sale Shares and the Genworth Sale Shares;

“**Second Termination Date**” has the meaning given in clause 10.8;

“**Seller Bonus Plans**” means the 2015 Genworth Financial Variable Incentive Compensation Plan and the 2015 Reach for Success Plan as listed in folder 6.2 (Short term incentives) of the HR Data Room;

“**Seller Equity Compensation Awards**” means the Seller Stock Options, Seller SARs and Seller RSUs;

“**Seller Group Plan**” means any incentive, retirement, bonus or other benefit plan, programme, arrangement or agreement established, maintained or contributed to by the Sellers’ Group that any Employee has previously participated, or currently participates, in, that is not a Target Group Plan, as listed in folder 1.2 of the HR Data Room;

“**Seller Incentive Plan**” means the critical skill set key employee retention awards listed in document 1.4.24 of the HR Data Room;

“**Seller Payment**” means a payment representing an amount (calculated on an after Tax basis (other than with respect to the Divestiture Incentive Plans)) in respect of (i) the Seller Retention Plan Amount and/or (ii) any employer social security contributions arising in connection with the Seller Retention Plan Amount;

“**Seller Payment Notice**” means a written notice provided by the Purchaser to the Sellers identifying a Seller Payment and setting out (with appropriate detail to explain the Tax related aspects of any adjustments made) how the Seller Payment has been calculated;

“**Seller Retention Plan Amount**” means an amount representing the total of all amounts that Employees are entitled to in accordance with the terms of any awards under the Seller Retention Plans;

“**Seller Retention Plans**” means the Cash in Lieu of Equity Retention Bonus Agreements (as set out in document 1.2.15 of the HR Data Room) and the Divestiture Incentive Plans entered into by any member of the Sellers’ Group or their affiliates with Employees;

“**Seller RSUs**” means any outstanding restricted stock units granted to Employees by Genworth Financial, Inc. pursuant to the 2012 Genworth Financial, Inc. Omnibus Incentive Plan and 2004 Genworth Financial, Inc. Omnibus Incentive Plan or any other outstanding restricted stock units granted to Employees by the Sellers’ Group, details of which have been disclosed in the HR Data Room at folder 1.2;

“**Seller SARs**” means any outstanding stock appreciation rights granted to Employees by Genworth Financial, Inc. pursuant to the 2012 Genworth Financial, Inc. Omnibus Incentive Plan and 2004 Genworth Financial, Inc. Omnibus Incentive Plan or any other outstanding stock appreciation rights granted to Employees by the Sellers’ Group, details of which have been disclosed in the HR Data Room at folder 1.2;

“**Seller Stock Options**” means any outstanding stock options granted to Employees by Genworth Financial, Inc. pursuant to the 2012 Genworth Financial, Inc. Omnibus Incentive Plan and 2004 Genworth Financial, Inc. Omnibus Incentive Plan or any other outstanding stock options granted to Employees by the Sellers’ Group, details of which have been disclosed in the HR Data Room at folder 1.2;

“**Sellers’ Condition**” means the Condition Precedent in paragraph 2 of Schedule 3;

“**Sellers’ Group**” means the Sellers’ Guarantor and all its subsidiary holding companies and subsidiaries, and its subsidiary holding company’s subsidiaries, from time to time, other than the Target Group;

“**Sellers’ Individual Warranties**” means the statements set out in paragraph 1 of Schedule 4;

“**Sellers’ Intellectual Property**” means all Intellectual Property Rights owned, licensed or used by the Sellers or any other member of the Sellers’ Group but excluding any Business IP;

“**Sellers’ Solicitors**” means Sidley Austin LLP of Woolgate Exchange, 25 Basinghall Street, London EC2V 5HA, United Kingdom and 1 S. Dearborn, Chicago, IL 60603;

“**Senior Employee**” means Bob Brannock, Jeff Whiteus, Peter Barrett, Paul Caprez, Andrew Flaherty, Jess Kuller and James Rember;

“**Separation**” has the meaning given in clause 4.6(b);

“**Separation Plan**” means the separation plan set out in Schedule 17;

“**Settlement Objection Notice**” has the meaning given in clause 10.9(c);

“**Settlement Report**” has the meaning given in clause 10.9(c);

“**Skandia**” means CJEU Case C – 7/13 Skandia America;

“**Spanish Passporting Claim**” means a claim under the covenant in clause 10.7(d);

“**Stockholders Equity**” means, as of any date of determination, an amount equal to the total consolidated stockholders’ equity of the Companies, calculated in accordance with the Agreed Accounting Principles and set forth in USD;

“**Subsidiaries**” means the subsidiary undertakings of the Companies listed in Schedule 2 Part 2;

“**Sunshine Contracts**” means the agreements contained in folder 5.2.1.6.133 of the Data Room;

“**Target Group**” means the Companies and the subsidiary undertakings of the Companies and “**Target Group Company**” shall mean any one of them;

“**Target Group Financial Data**” has the meaning given in clause 4.6(a);

“**Target Group HR Data**” has the meaning given in clause 4.6(a);

“**Target Group Plan**” means the incentive, retirement, bonus and benefit plans or arrangements established or maintained by a Target Group Company for the benefit of the Employees, as listed in folder 1.4 (excluding document 1.4.6.3) of the HR Data Room. For the avoidance of doubt, neither the Seller Group Plans, nor the Transferring Seller Group Plan, nor the UK Defined Benefit Plan shall be a Target Group Plan;

“**Target Group Policy**” has the meaning given in paragraph 2.21 of Schedule 4;

“**Taxation**” or “**Tax**” means:

(a) any charge, tax, duty, levy, impost and withholding having the character of taxation, wherever chargeable, imposed for support of national, state, federal,

cantonal, municipal or local government or any other governmental or regulatory authority, body or instrumentality including but not limited to tax on gross or net income, profits or gains, taxes on receipts, sales, employment, payroll, goods and services, use, occupation, franchise, transfer, minimum, excise value added and personal property and social security taxes; and

(b) any penalty, fine, surcharge, interest, charges or additions to taxation payable in relation to any taxation within (a) above;

“**Taxation Authority**” means any taxing or other authority competent to impose, administer or collect any Taxation;

“**Tax Claim**” means a Tax Covenant Claim or a Tax Warranty Claim;

“**Tax Covenant**” means the tax covenant contained in Schedule 10;

“**Tax Covenant Claim**” means a claim by the Purchaser against the Sellers under the Tax Covenant;

“**Tax Warranties**” means the Warranties contained in paragraph 4 of Schedule 4;

“**Tax Warranty Claim**” means a claim by the Purchaser against the Sellers under a Tax Warranty;

“**Third Party Agreements**” has the meaning given in clause 4.6(h);

“**Third Party Claim**” has the meaning given in paragraph 7 of Schedule 5;

“**Third Party Sum**” has the meaning given in paragraph 8.2 of Schedule 5;

“**Threshold**” has the meaning given in paragraph 3.1(b) of Schedule 5;

“**Transaction**” means the transaction contemplated by this Agreement;

“**Transaction Documents**” means the Irrevocable Offer, this Agreement and the documents referred to in it, including the Genworth Transitional Services Agreement, the Mortgage Business Transitional Services Agreement, the Transitional IP License Agreement, the Trust Administrative Services Agreements, the Company Administrative Services Agreements (if applicable) and any other agreements executed or to be executed by the parties (or any of them) in connection with this Agreement, the Genworth Transitional Services Agreement, the Mortgage Business Transitional Services Agreement, the Transitional IP License Agreement, the Irrevocable Offer, the Trust Administrative Services Agreements or the Company Administrative Services Agreements (if applicable) on or after the Offer Date;

“**Transferring Seller Group Plan**” means the Genworth Financial UK Supplemental Executive Retirement Plan established under a deed poll executed on 24 October 2008 with respect to the Employees with the following SSO numbers: 350000233, 110003755, 350000676 and 430005397;

“**Transitional IP License Agreement**” means an agreement for the licensing of certain Intellectual Property Rights from Genworth Holdings, Inc. and the Sellers’ Guarantor to the Target Group, in the Agreed Form;

“**Trust Administrative Services Agreement**” means each of the agreements for administrative services to be entered into among (a) Banco Invex, S.A., Institucion de Banca Multiple, Invex Grupo Financiero, Fiduciario, for the Genworth Seguros Danos, S.A. de C.V. Trust, and Genworth Operaciones, S. de R.L. de C.V., in substantially the Agreed Form, and (b) Banco Invex, S.A., Institucion de Banca Multiple, Invex Grupo Financiero, Fiduciario, for the Genworth Seguros Vida, S.A. de C.V. Trust, and Genworth Operaciones, S. de R.L. de C.V., in substantially the form of the agreement referenced in clause (a), as applicable;

“**UK Defined Benefit Plan**” means the Genworth Financial UK Pension Scheme, a UK pension scheme registered under the Finance Act 2004 which is currently governed by a second definitive deed and rules dated 15 April 2015;

“**Unconditional Date**” has the meaning given in clause 5.1;

“**Underwriting Loss**” has the meaning given in clause 10.9(d);

“**Unreasonable Condition**” means any restriction or requirement imposed by a Governmental Authority to:

- (a) sell or otherwise divest before or after the Completion Date, any material assets or material business of the (i) Target Group or the Purchaser’s Group (in each case taken as a whole) or (ii) Purchaser’s payment protection insurance business and any other similar business conducted by the Purchaser’s Group, taken as a whole; or
- (b) imposing a material capital requirement or capital contribution as a condition of the relevant approval which is unreasonable taking into account the business plan provided in connection with the application for such approval and the obligation of the Purchaser hereunder to use its best endeavours to obtain such approval;

“**US GAAP**” means generally accepted accounting principles and practices in the United States of America as at the Completion Date or, where applicable, as at the relevant date to which such accounting principles and practices have been or are to be applied;

“**US Employee**” means the employee with SSO number 326000988;

“**USD**” means United States dollars;

“VAT” means:

- (a) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and
- (b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in paragraph (a) above, or imposed elsewhere;

“VATA” means, in the United Kingdom, the Value Added Tax Act 1994 and, in a jurisdiction outside the United Kingdom, any equivalent legislation;

“Warranties” means the statements set out in paragraphs 2 to 4 of Schedule 4;

“Warranty Claim” means a claim by the Purchaser under or pursuant to the provisions of clause 10.2; and

“Withholding Relief” has the meaning given in clause 18.6.

1.2 In this Agreement any reference, express or implied, to an enactment (which includes any legislation in any jurisdiction) includes:

- (a) that enactment as amended, extended or applied by or under any other enactment (before or after signature of this Agreement);
- (b) any enactment which that enactment re-enacts (with or without modification); and
- (c) any subordinate legislation made (before or after signature of this Agreement) under that enactment, including (where applicable) that enactment as amended, extended or applied as described in subparagraph (a), or under any enactment which it re-enacts as described in subparagraph (b),

except to the extent that any legislation or subordinate legislation made or enacted after the Offer Date would create or increase the liability of the Sellers under this Agreement.

1.3 In this Agreement:

- (a) words denoting persons include bodies corporate and unincorporated associations of persons;
- (b) references to an individual or a natural person include his estate and personal representatives; and
- (c) subject to clause 17, references to a party to this Agreement include the successors or assigns (immediate or otherwise) of that party.

1.4 In this Agreement, unless the contrary intention appears, a reference to a clause, subclause, paragraph or schedule is a reference to a clause, subclause, paragraph or schedule of or to this Agreement. The schedules form part of this Agreement.

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- 1.5 The headings in this Agreement do not affect its interpretation.
- 1.6 A company is a “subsidiary” of another company, its “holding company”, if that other company:
- (a) holds a majority of the voting rights in it, or
 - (b) is a member of it and has the right to appoint or remove a majority of its board of directors, or
 - (c) is a member of it and controls alone, pursuant to an agreement with other members, a majority of the voting rights in it,
- or if it is a subsidiary of a company that is itself a subsidiary of that other company;
- 1.7 Words and expressions that are defined in the Companies Act 2006 shall have the meanings attributed to them therein when used in this Agreement unless otherwise defined or the context otherwise requires, provided that “companies” shall mean and include both “company” and “body corporate”, as in each case defined in that Act.
- 1.8 In this Agreement:
- (a) the singular shall include the plural and vice versa;
 - (b) references to any gender shall include the other and neutral gender;
 - (c) references to “**material**” or “**materially**,” shall (unless the context dictates otherwise) (i) where there is an express reference to the Target Group be construed in the context of the business of the Target Group taken as a whole, and (ii) where there is an express reference to a Company, a Target Group Company or an Insurance Company, be construed in the context of the business of that member of the Target Group only and (iii) otherwise when referring to an asset, liability, contract or obligation be construed by reference to a monetary threshold of EUR 250,000;
 - (d) references to a “**jurisdiction**” include the jurisdiction of any supra-national organisation as well as any local, municipal, regional, state, provincial or national authority;
 - (e) the word “**notice**” includes any notice, demand, consent or other communication;
 - (f) the words “**so far as the Sellers are aware**” means the actual knowledge, at the Offer Date, of Bob Brannock, Jeff Whiteus, James Rember, Peter Barrett, Jess Kuller, Paul Caprez, Andrew Flaherty, Joe Pehota, Charlie Taben, Ward Bobitz or Vidal Torres, who shall in each case be deemed to have actual knowledge of such matters as that person would reasonably have possessed had they made due enquiries;

- (g) the words “**so far as the Purchaser is aware**” means the actual knowledge, at the Offer Date, of Jean-Baptiste Tricot or Helen Jane Paul, who shall in each case be deemed to have actual knowledge of such matters as that person would reasonably have possessed had they made due enquiries; and
- (h) if any notice, payment or other relevant action required to be carried out under this Agreement falls on a day which is not a Business Day, such action shall be taken as soon as practicable on the next Business Day.

2. SALE AND PURCHASE OF THE SHARES

2.1 Subject to the Conditions Precedent being satisfied and Schedule 13:

- (a) BLAIC shall sell and the Purchaser shall purchase, the BLAIC Sale Shares;
- (b) EGF shall sell and the Purchaser shall purchase, the EGF Sale Shares; and
- (c) Genworth shall sell, or procure the sale of, and the Purchaser shall purchase, the Genworth Sale Shares;

in each case, with all rights attaching to them and free from all Encumbrances and with full title guarantee.

2.2 The total consideration for the sale of the Sale Shares, the licenses granted to the Purchaser in the Transitional IP License Agreement and the covenants set forth herein shall be the Initial Consideration, as adjusted in accordance with this clause 2.

2.3 The initial consideration for the sale of the Sale Shares (the “**Initial Consideration**”) shall be payable on the Completion Date in accordance with clause 5 and shall be an amount equal to (a) EUR 475,000,000, plus (b) the amount, if any, by which the Estimated Stockholders Equity Amount exceeds the Accounts Stockholders Equity Amount, minus (c) the amount, if any, by which the Accounts Stockholders Equity Amount exceeds the Estimated Stockholders Equity Amount.

2.4 Not less than five (5) Business Days prior to the Completion Date, the Sellers shall prepare and deliver to the Purchaser (a) the Estimated Balance Sheet in substantially the same form as the balance sheet included in the Unaudited Accounts adjusted as specified in Part II of the Agreed Accounting Principles, including a calculation of the Estimated Stockholders Equity Amount, and (b) a schedule (the “**Allocation Schedule**”) allocating the Initial Consideration among the Sale Shares being sold by each of the Sellers.

2.5 Within ninety (90) calendar days following the Completion Date, the Purchaser shall deliver a consolidated balance sheet of the Target Group Companies as of the end of the last day of the month immediately preceding the month during which Completion occurs prepared in accordance with the Agreed Accounting Principles and otherwise in substantially the same form as the balance sheets included in the Unaudited Accounts (the “**Completion Balance Sheet**”). If the Purchaser does not deliver the Completion Balance Sheet within such ninety (90) day time period, then, at the election of the Sellers,

either (a) the Sellers may prepare and present the Completion Balance Sheet within an additional ninety (90) calendar days thereafter or (b) if the Sellers elect not to prepare the Completion Balance Sheet, then the Estimated Balance Sheet shall be deemed to be the Final Balance Sheet and the Estimated Stockholders Equity Amount shall be deemed to be the Final Stockholders Equity Amount. In the event that the Sellers elect to prepare the Completion Balance Sheet in accordance with the immediately preceding sentence, then all references in the remainder of this clause 2.5 and the entirety of clause 2.6 to the Sellers, on the one hand, and the Purchaser, on the other hand, will be deemed to be references to the Purchaser, on the one hand, and the Sellers, on the other hand, respectively. In connection with the Purchaser's preparation of the Completion Balance Sheet, to the extent the Purchaser or its representatives do not have all relevant information in their possession, the Sellers shall, and shall use their reasonable endeavours to cause their representatives to, provide the Purchaser and its representatives access to all relevant books, records, work papers and employees of the Sellers, provided that the independent accountants of the Sellers will not be obligated to make any work papers available to the Purchaser unless and until the Purchaser has signed a customary agreement relating to such access to work papers in form and substance reasonably acceptable to such accountants. For the avoidance of doubt, to the extent there is any difference between US GAAP and the principles, practices, methodologies and exceptions set forth in Part II of the Agreed Accounting Principles, the principles, practices, methodologies and exceptions set forth therein shall prevail. Consequently, the Estimated Balance Sheet, Completion Balance Sheet and Final Balance Sheet are to the extent set out in Part II of the Agreed Accounting Principles not intended to be a presentation in conformity with US GAAP.

- 2.6 The Completion Balance Sheet delivered to the Sellers by the Purchaser pursuant to clause 2.5 shall be final and binding unless the Sellers give the Purchaser written notice of their objections (an "**Objection Notice**") within sixty (60) calendar days after receipt of the Completion Balance Sheet prepared by the Purchaser (the "**Review Period**"). In connection with the Sellers' review of the Completion Balance Sheet and potential preparation of an Objection Notice, the Purchaser shall, and shall use its reasonable endeavours to cause the Target Group Companies and its and their respective independent accountants to, provide the Sellers and their representatives access to all relevant books, records, work papers and employees of the Purchaser and the Target Group Companies for purposes thereof, provided that the independent accountants of the Purchaser will not be obligated to make any work papers available to the Sellers unless and until the Sellers have signed a customary agreement relating to such access to work papers in form and substance reasonably acceptable to such accountants. If the Sellers fail to deliver to the Purchaser an Objection Notice on or prior to the expiration of the Review Period, or otherwise notify the Purchaser prior to such expiration date in writing that the Sellers have no objections to the calculation of the Completion Balance Sheet, then the calculation of the Completion Balance Sheet prepared by the Purchaser shall be deemed to have been accepted by the Sellers and shall become final and binding on all parties. Any component of the Completion Balance Sheet that is not the subject of an Objection Notice by the Sellers shall be final and binding on all parties.

The Purchaser and the Sellers shall use their respective reasonable endeavours to resolve any disputed items included in the Objection Notice; provided that if they are unable to do so within thirty (30) calendar days following the delivery of the Objection Notice, then by notice from either party to the other, the disagreement shall be submitted for resolution to the Independent Accountant. In any such submission pursuant to the preceding sentence, the amount proposed with respect to any disputed item shall not in the absence of manifest error in the Completion Balance Sheet or the Objections Notice be more favorable to (i) the Purchaser than the amount proposed by the Purchaser in the Completion Balance Sheet and (ii) the Sellers than the amount proposed by the Sellers in the Objection Notice. If a dispute is submitted to the Independent Accountant for resolution, Purchaser and the Sellers shall enter into a customary engagement letter with the Independent Accountant at the time such dispute is submitted to the Independent Accountant and shall, and the Purchaser shall cause the Target Group Companies and its and their respective independent accountants to, cooperate with the Independent Accountant in connection with its review and determination pursuant to this clause 2.6, including, in the case of the Purchaser, by providing, or using its reasonable endeavours to cause the Target Group Companies to provide, to the Independent Accountant and its representatives access to all relevant books, records, work papers and employees of the Purchaser and the Target Group Companies for purposes thereof, provided that the independent accountants of the Purchaser will not be obligated to make any work papers available to the Sellers unless and until the Sellers have signed a customary agreement relating to such access to work papers in form and substance reasonably acceptable to such accountants.

The Independent Accountant shall be directed to promptly, and in any event within thirty (30) calendar days after its appointment, render its decision on the disputed items. The Independent Accountant's review of the calculation of the Completion Balance Sheet shall be limited to a determination of whether it was prepared and calculated in accordance with the Agreed Accounting Principles. For the avoidance of doubt, the Independent Accountant shall not review any items or make any determination with respect to any matters not subject to a dispute in the Objection Notice. The Independent Accountant's determination as to each item in dispute shall be set forth in a written statement delivered to each party, which shall include the Independent Accountant's determination as to the calculation of the Completion Stockholders Equity Amount, all of which shall be final and binding on all parties, save in the event of manifest error, in which case the Independent Accountant's report shall be void and the matter shall be remitted to the Independent Accountant for correction. In resolving any disputed item, the Independent Accountant may not assign a value to such item more favorable to the Sellers than the value for such item claimed by the Sellers in the Objection Notice, if any, or more favorable to the Purchaser than the value for such item claimed by the Purchaser in the Completion Balance Sheet. The aggregate fees and expenses of the Independent Accountant shall be allocated evenly between the Purchaser, on the one hand, and the Sellers, on the other hand. The final determinations of the Independent Accountant pursuant to this clause 2.6 shall be deemed expert determinations under English law governing expert determination and appraisal proceedings. Any claim, dispute or controversy arising out of or relating to the final determinations of the Independent Account pursuant to this clause 2.6, including enforcement of such final determinations, shall be resolved by the courts referenced in clause 21.

The consolidated balance sheet of the Companies prepared in accordance with the Agreed Accounting Principles that is final and binding on the Sellers and the Purchaser as determined either through the agreement of the Sellers and the Purchaser pursuant to clause 2.5 or 2.6, as applicable, or through the determination of the Independent Accountant pursuant to this clause 2.6, is referred to herein as the “**Final Balance Sheet**.” The Stockholders Equity reflected in such Final Balance Sheet, multiplied by the USD to EUR Conversion Rate as of the end of the last day of the month immediately preceding the month during which Completion occurs, is referred to herein as the “**Final Stockholders Equity Amount**.”

- 2.7 The “**Consideration Adjustment**” will be calculated by the Purchaser and the Sellers within two (2) Business Days of determining the Final Stockholders Equity Amount as an adjustment to the Initial Consideration equal to the Final Stockholders Equity Amount minus the Estimated Stockholders Equity Amount. If the Consideration Adjustment is (i) positive, then the Purchaser shall pay in cash to the Sellers an amount equal to the Consideration Adjustment, or (ii) negative, then the Sellers shall pay in cash to the Purchaser an amount equal to the absolute value of the Consideration Adjustment, in each case, within two (2) Business Days after the Consideration Adjustment is determined. Unless otherwise instructed by the Sellers, the Purchaser shall pay to each Seller a portion of the Consideration Adjustment which bears the same proportion to the total Consideration Adjustment as such Seller’s share of the Initial Consideration as set forth in the Allocation Schedule bears to the total Initial Consideration.
- 2.8 The Consideration shall be paid in full in accordance with this clause 2 and clause 5 without any deduction or withholding and the Purchaser agrees that it shall not be entitled to assert any deduction, credit, set-off or counterclaim against the Sellers in order to justify withholding payment or satisfaction of any such amount in whole or in part.

3. **CONDITIONS PRECEDENT**

- 3.1 The sale and purchase of the Sale Shares is subject to, and Completion is conditional on, the satisfaction or waiver of the Conditions Precedent.
- 3.2 The Sellers and the Purchaser agree to cooperate in the preparation of the notifications required for the purposes of fulfilling the Purchaser’s Condition. Such notifications shall be made by the Purchaser (or, to the extent required by Applicable Law, by the Sellers, the relevant Target Group Companies and the Purchaser together) and the Purchaser shall use best endeavours to procure that the notifications (or draft notification, in the case of the notification to the European Commission under the EU Merger Regulation) are filed in such form as the Relevant Authority may require within twenty (20) Business Days after the Offer Date but in any event shall procure that the notifications are filed as promptly as practicable following the Offer Date. The Purchaser shall:
- (a) afford the Sellers a reasonable opportunity to review such notifications prior to their filing; and

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- (b) consult with the Sellers and consider in good faith any comments by the Sellers to such notifications including in respect of any material changes to the business plan to be submitted for the purposes of the Purchaser's Condition since the version provided to the Sellers before the Offer Date,
- provided that nothing in this clause 3.2 shall (i) oblige the Purchaser to disclose commercially sensitive information to the Sellers or allow the Sellers access to commercially sensitive discussions with any Relevant Authority or (ii) prohibit the Purchaser from responding to or incorporating the comments of the Relevant Authority in respect of any aspect of such notification.
- 3.3 The Purchaser shall use its best endeavours to procure that the Purchaser's Condition is satisfied as promptly as practicable and, in any event, before the Long Stop Date, provided that the Purchaser shall not be required to agree to the imposition of an Unreasonable Condition on the Purchaser's Group (including the Target Group). For the avoidance of doubt, the Purchaser shall not be deemed to have breached its obligations under this clause 3.3 in the event that it is unable to satisfy the Purchaser's Condition promptly or at all due to the Sellers' failure to comply with its cooperation obligations under clauses 3.2 and 3.6. The Sellers shall use best endeavours to procure that the Sellers' Condition is satisfied as promptly as practicable and, in any event, before the Long Stop Date.
- 3.4 The party responsible for satisfaction of each Condition Precedent shall keep the other party regularly informed of, and shall consult with the other party regarding, the progress of satisfying the relevant Condition Precedent and shall immediately inform the other party of all developments which would or might reasonably be expected to result in the relevant party becoming unable to comply with, or satisfy in any respect, the Condition Precedent for which it is responsible.
- 3.5 The Purchaser shall where reasonably practicable:
- (a) consult with the Sellers or their legal advisers prior to communicating with the Relevant Authorities in any material respect in relation to the Transaction;
 - (b) give the Sellers prior written notice of, and request permission for the attendance of representatives of the Sellers (if the Sellers so choose) at, meetings with the Relevant Authorities in relation to the Transaction;
 - (c) promptly provide the Sellers with copies of all material correspondence received from the Relevant Authorities in relation to the Transaction; and
 - (d) provide the Sellers with sufficient opportunity to review and comment on, and include all reasonable comments provided by the Sellers on, all such material communications, correspondence and documents addressed to or provided to the Relevant Authorities in relation to the Transaction,

provided that nothing in this clause 3.5 shall oblige the Purchaser to disclose commercially sensitive information to the Sellers or allow the Sellers access to commercially sensitive discussions with any Relevant Authority.

- 3.6 Subject to Applicable Law, any duty of confidentiality owed to any third party and any such information being privileged, the Sellers shall, with respect to the satisfaction of the Purchaser's Condition:
- (a) co-operate with the Purchaser as may reasonably be required for the purpose of satisfying the Purchaser's Condition;
 - (b) provide to the Purchaser all necessary information and documents regarding the Target Group as may be reasonably required by the Purchaser; and
 - (c) provide such assistance as may be reasonably requested by the Purchaser in respect of the satisfaction of the Purchaser's Condition.
- 3.7 The party responsible for satisfaction of the Condition Precedent shall notify the other party promptly in writing as soon as the Condition Precedent for which it is responsible is satisfied.
- 3.8 If the Purchaser's Condition is not satisfied on or before the Long Stop Date, the Sellers or the Purchaser may terminate this Agreement by notice in writing to the other parties hereto and, provided that the Purchaser has complied with all of its obligations under clause 3.3 and 3.4, except for this subclause, clauses 1 and 14 - 22, all the provisions of this Agreement shall lapse and cease to have effect.
- 3.9 If the Sellers' Condition is not satisfied on or before the Long Stop Date, the Purchaser may terminate this Agreement by notice in writing to the Sellers and except for this subclause, clauses 1 and 14 - 22, all the provisions of this Agreement shall lapse and cease to have effect.
- 3.10 Save as specifically set out in clause 3.8 and clause 3.9, neither the Sellers nor the Purchaser shall be entitled in any circumstances to rescind or terminate this Agreement before Completion.
- 3.11 Subject to clause 3.8 and clause 3.9, each party's further rights and obligations cease immediately on termination, but termination does not affect a party's accrued rights and obligations in respect of damages for non-performance of any obligation under this Agreement falling due for performance prior to the date of termination.
4. **PRE-COMPLETION MATTERS**
- 4.1 Until Completion, each Seller shall to the extent permitted by Applicable Law and to the extent the relevant Seller is able to control the relevant Target Group Company:
- (a) procure that, except with the written consent of the Purchaser (such consent not to be unreasonably withheld or delayed), each member of the Target Group shall not depart in any material respect from the ordinary course of its day-to-day business, consistent with past practice; and

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- (b) procure that each member of the Target Group operates in accordance with Applicable Law so as to preserve its regulatory permissions and licences (including the filing of all relevant documents and compliance with regulatory capital requirements) and complies with the provisions of Schedule 6.
- 4.2 The Purchaser shall, subject to the terms and conditions of this Agreement, use its reasonable endeavours to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or desirable, or advisable under Applicable Law, so as to cause or enable the transactions contemplated in this Agreement and the other Transaction Documents to be consummated as promptly as practicable, and shall co-operate fully with, and furnish information to, the Sellers to that end.
- 4.3 Prior to Completion, the Sellers shall (and shall procure that the members of the Target Group shall):
- (a) give to the Purchaser and its advisers, upon reasonable advance written notice and during regular business hours, reasonable access to the books, records, personnel, officers and properties of the Target Group including for the purposes of satisfaction of the Conditions Precedent, provided that any such access shall be conducted at the Purchaser's expense, in accordance with Applicable Law and any internal data protection policy of the Target Group and the Sellers' Group, under the supervision of the personnel of a member of the Sellers' Group or a member of the Target Group and in such a manner as to retain confidentiality and not to unreasonably interfere with the normal operations of the Target Group, the Sellers or the Sellers' Group; and
- (b) reasonably inform the Purchaser of:
- (i) all matters which are referred for decision to the boards of directors (and committees and sub-committees thereof) of the Target Group Companies; and
- (ii) material correspondence with a Regulatory Authority,
- including providing copies of relevant board papers and minutes and regulator correspondence, which may be redacted in good faith by the Sellers to protect privilege, comply with Applicable Law or to protect commercially sensitive information.
- 4.4 Nothing in clause 4.3 shall require the Sellers to make available to the Purchaser or its advisers, or provide the Purchaser or its advisers with:
- (a) access to or copies of any personnel file or related records of any Employee; or

- (b) any other information if the Sellers determine, in their reasonable judgment, that making such information available would:
 - (i) jeopardise any attorney-client privilege, the work product immunity or any other legal privilege or similar doctrine; or
 - (ii) contravene any Applicable Law, court order, regulatory agreement, any internal data protection policy of the Target Group and the Sellers' Group or any fiduciary duty or agreement (including any confidentiality agreement to which the Target Group or any member of the Sellers' Group is a party).

4.5 Following the Offer Date and prior to Completion, the Sellers shall (and shall procure that the relevant members of the Target Group shall) respectively use reasonable endeavours (or in the case of any matter in Schedule 13 which is a Sellers' Condition, best endeavours) to ensure the completion of the actions set out in Schedule 13. Upon completion of any action set out in Schedule 13, this Agreement shall be read as if such action had been completed, and no such action shall result in (a) any Fundamental Warranty being untrue or (b) the breach of any covenant or other agreement set out in this Agreement. For the avoidance of doubt, the Sellers shall undertake the actions set out in paragraphs 1, 2, 4, 5 and 6 of Schedule 13 at their own cost.

4.6 Separation

- (a) In the period after the Offer Date and prior to the Completion Date, the Sellers shall:
 - (i) enter into a work order (or similar arrangement) (the "**HR Database Work Order**") with its current human resources database provider (the "**HR Database Provider**"), under the terms of the Sellers' Group's global framework agreement with the HR Database Provider, pursuant to which, at a minimum:
 - (1) the HR Database Provider will establish a new human resources database (with a substantially identical structure to the Sellers' Group's existing human resources database) and host the same in the EEA (the "**New HR Database**");
 - (2) the Sellers will ensure that a copy of all human resources-related data relating to the Target Group Companies (the "**Target Group HR Data**") in the Sellers' Group's existing human resources database, is delivered to the HR Database Provider;
 - (3) the HR Database Provider will host the Target Group HR Data in the New HR Database, once the HR Database Provider receives this from the Sellers;

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- (4) the HR Database Provider will assist the Target Group Companies in performing acceptance tests in accordance with the HR Database Provider's standard procedures, based on acceptance criteria that demonstrate the Target Group HR Data in the New HR Database is complete, structured in substantially the same manner as it was structured in the Sellers' Group's human resources database and accessible in substantially the same manner by the Target Group Companies as was the case prior to the migration of the Target Group HR Data into the New HR Database;
 - (5) the HR Database Provider will agree that the HR Database Work Order can be transferred by the Sellers, at no additional cost and without having to obtain any further permissions, to the Purchaser's Group's framework agreement with the HR Database Provider on or immediately prior to the Completion Date; and
 - (6) the Sellers, acting reasonably and in good faith, will negotiate with the HR Database Provider to agree costs for the services and licenses under the HR Database Work Order, which are the same or substantially similar to the costs currently paid by the Sellers' Group for the same or substantially similar services and licenses and the Purchaser, at the Sellers' reasonable request, will assist the Sellers in those negotiations;
- (ii) enter into a work order (or similar arrangement) (the "**Financial Database Work Order**"), with its current financial database provider (the "**Financial Database Provider**") under the terms of the Sellers' Group's global framework agreement with the Financial Database Provider, pursuant to which, at a minimum:
- (1) the Financial Database Provider will establish a new database (with a substantially identical structure to the Sellers' Group's existing financial database) and host the same in the EEA (the "**New Financial Database**");
 - (2) the Sellers will ensure that a copy of all financial-related data relating to the Target Group Companies (the "**Target Group Financial Data**") in the Sellers' Group's existing financial database, is delivered to the Financial Database Provider;
 - (3) the Financial Database Provider will host the Target Group Financial Data in the New Financial Database, once the Financial Database Provider receives this from the Sellers;
 - (4) the Financial Database Provider will assist the Target Group Companies in performing acceptance tests in accordance with the Financial Database Provider's standard procedures, based on

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- acceptance criteria that demonstrate the Target Group Financial Data in the New Financial Database is complete, structured in substantially the same manner as it was structured in the Sellers' Group's financial database and accessible in substantially the same manner by the Target Group Companies as was the case prior to the migration of the Target Group Financial Data into the New Financial Database;
- (5) the Financial Database Provider will agree that the Financial Database Work Order can be transferred by the Sellers, at no additional cost and without having to obtain any further permissions, to the Purchaser's Group's framework agreement with the Financial Database Provider on or immediately prior to the Completion Date; and
 - (6) the Sellers, acting reasonably and in good faith, will negotiate with the Financial Database Provider to agree costs for the services and licenses under the Financial Database Work Order, which are the same or substantially similar to the costs currently paid by the Sellers' Group for the same or substantially similar services and licenses and the Purchaser, at the Sellers' reasonable request, will assist the Sellers in those negotiations;
- (iii) procure that Financial Insurance Group Services Limited ("**FIGSL**") shall enter into a new agreement (the "**New Payroll Agreement**") with the Sellers' current payroll service provider for the Target Group Companies (the "**Payroll Provider**"), on terms substantially identical to the terms of the Sellers' Group's agreement with the Payroll Provider, pursuant to which:
- (1) the Payroll Provider shall provide substantially the same payroll and other services to the Target Group as the Payroll Provider provided to the Target Group and the Sellers' Group in the ordinary course in the twelve (12) months prior to the Completion Date;
 - (2) the Payroll Provider shall receive data from the HR Database Provider to enable the Payroll Provider to provide those services (and establish the necessary connectivity with the HR Database Provider);
 - (3) the Payroll Provider shall perform acceptance tests in accordance with its standard procedures, based on acceptance criteria that demonstrate it is able to provide substantially the same services to the Target Group Companies as was the case prior to the migration of the Target Group HR Data into the New HR Database; and

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- (4) the Sellers, acting reasonably and in good faith, will negotiate with the Payroll Provider to agree costs for the services and licenses under the New Payroll Agreement, which are the same or substantially similar to the costs currently paid by the Sellers' Group for the same or substantially similar services and licenses and the Purchaser, at the Sellers' reasonable request, will assist the Sellers in those negotiations;
 - (iv) transfer a sufficient number of licenses from the Sellers' vendors related to financial planning and analysis to the Target Group Companies, and create a duplicate database that contains all of the relevant Target Group Companies' data and transfer the same to the Target Group, to enable the Target Group Companies to continue to use the financial planning and analysis solution in substantially the same manner as they had prior to the date of this Agreement; and
 - (v) take all other steps that may be necessary to ensure that, by no later than the Completion Date: (1) all Target Group HR Data are hosted in the New HR Database; (2) all Target Group Financial Data are hosted in the New Financial Database; (3) the necessary connectivity exists between the HR Database Provider, the financial planning and analysis solution and the Payroll Provider; and (4) all other steps have been taken that are required to ensure that no member of the Target Group will depend on any member of the Sellers' Group (other than for services provided under the Genworth Transitional Services Agreement) for the management of the Target Group HR Data, Target Group Financial Data or the provision of payroll processing and finance-related functions.
- (b) The activities set out in clause (a) above are collectively referred to as **'Separation.'**
 - (c) The Sellers shall: (i) ensure that all of their Separation activities are carried out in accordance with the Separation Plan, (ii) use reasonable endeavours to ensure that all deliverables and results set out in the Separation Plan are achieved at the dates set out therein (including obtaining hardware, software and contracts), and (iii) use reasonable endeavours to ensure that the counterparties to the agreements set out in clause (a) above fulfill their obligations under those agreements and in accordance with the Separation Plan.
 - (d) As soon as all of the Separation activities have been completed, the Sellers shall procure that the Target Group Companies conduct user acceptance testing to evidence that Separation has been achieved. The Sellers shall suggest acceptance criteria for the user acceptance tests to the Purchaser, reasonably in advance of the target date for user acceptance testing, and the Purchaser shall not unreasonably delay approval thereof if the acceptance criteria will demonstrate that Separation has been achieved. The Purchaser shall be allowed to observe the conduct of these user acceptance tests. Any dispute as to whether or not the user acceptance tests

demonstrate compliance with the acceptance criteria shall be referred for resolution to Philippe Battelier (Telephone Number: +33 1 55 67 20 96) of the Purchaser and Scott McKay (Telephone Number: +1 (804) 662-2710) of the Sellers, and if they are unable to reach agreement within seven (7) days, that dispute shall be resolved in accordance with clause 21.

(e) The Sellers and the Purchaser shall establish an advisory team (“**Advisory Team**”) to monitor the progress and communicate the status of Separation and the Separation Plan as against the dates scheduled for such milestones, deliverables and results.

(f) If clauses 4.6(a)(i)(5) and/or 4.6(a)(ii)(5) cannot be achieved, the Sellers shall, on or immediately prior to the Completion Date:

(i) in respect of clause 4.6(a)(i)(5), convert the HR Database Work Order into a stand-alone agreement, in the name of FIGSL, with the co-operation of the Purchaser, upon the Sellers’ reasonable request. The Sellers, acting reasonably and in good faith, will negotiate with the HR Database Provider to agree costs for the services and licenses under this stand-alone agreement, which are the same or substantially similar to the costs currently paid by the Sellers’ Group for the same or substantially similar services and licenses and the Purchaser, at the Sellers’ reasonable request, will assist the Sellers in those negotiations; and/or

(ii) in respect of clause 4.6(a)(ii)(5), convert the Financial Database Work Order into a stand-alone agreement, in the name of FIGSL, with the co-operation of the Purchaser, upon the Sellers’ reasonable request. The Sellers, acting reasonably and in good faith, will negotiate with the Financial Database Provider to agree costs for the services and licenses under this stand-alone agreement, which are the same or substantially similar to the costs currently paid by the Sellers’ Group for the same or substantially similar services and licenses and the Purchaser, at the Sellers’ reasonable request, will assist the Sellers in those negotiations,

and confirm in writing to the Purchaser that this has been done.

(g) If clauses 4.6(f)(i) and/or 4.6(f)(ii) cannot be achieved, on or immediately prior to the Completion Date:

(i) in respect of clause 4.6(f)(i), the Sellers shall:

(1) enter into an implementation work order with the HR Database Provider for all one-off work to be performed, with the intention that the Sellers’ implementation work order will terminate at the Completion Date; and

(2) with the assistance of the Purchaser (where the Sellers make a reasonable request therefor), negotiate an ongoing license and

maintenance work order with the HR Database Provider, in the name of FIGSL, for all ongoing work to be performed by the HR Database Provider after the Completion Date, with the intention that the ongoing license and maintenance work order will:

- (A) commence at the Completion Date; and
- (B) be reviewed, approved and entered into by the Purchaser under the Purchaser's Group's framework agreement with the HR Database Provider,

and the provisions of clause 4.6(a)(i)(1) to 4.6(a)(i)(3) shall apply *mutatis mutandis*; and/or

(ii) in respect of clause 4.6(f)(ii), the Sellers shall:

- (1) enter into an implementation work order with the Financial Database Provider for all one-off work to be performed, with the intention that the Sellers' implementation work order will terminate at the Completion Date; and
- (2) with the assistance of the Purchaser (where the Sellers make a reasonable request therefor), negotiate an ongoing license and maintenance work order with the Financial Database Provider, in the name of FIGSL, for all ongoing work to be performed by the Financial Database Provider after the Completion Date, with the intention that the ongoing license and maintenance work order will:
 - (A) commence at the Completion Date; and
 - (B) be reviewed, approved and entered into by the Purchaser under the Purchaser's Group's framework agreement with the Financial Database Provider,

and the provisions of clause 4.6(a)(ii)(1) to 4.6(a)(ii)(3) shall apply *mutatis mutandis*; and

(iii) in respect of clauses 4.6(g)(i) and (ii), each party shall bear their own costs for negotiating and entering into their respective work orders.

(h) In respect of all agreements that are to be established by the Sellers in connection with Separation ("**Third Party Agreements**"), the following provisions shall apply unless expressly otherwise provided for in clause 4.6(a) above:

- (i) the Sellers shall use reasonable endeavors to procure that the form and content of each Third Party Agreement is on substantially the same terms as any agreement currently in existence between the Sellers and the relevant third party provider;

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- (ii) the Sellers shall provide copies of drafts of the Third Party Agreements to the Purchaser and allow the Purchaser to comment on and require reasonable changes to the draft Third Party Agreements as part of the Sellers' negotiation of the Third Party Agreements;
 - (iii) each Third Party Agreement will be entered into between the third party provider and FIGSL;
 - (iv) no Third Party Agreement may include any change in control provision in regard to the Target Group that would be triggered by the transactions contemplated by this Agreement;
 - (v) the running costs and fees payable by the Target Group for the functions or services provided under all aggregate Third Party Agreements may not be higher than the costs that were allocated to the Target Group in the ordinary course prior to the Completion Date, for any intra-group functions or services that were provided to the Target Group but that are to be replaced by the Third Party Agreements;
 - (vi) the Sellers shall use reasonable endeavours to procure the inclusion of provisions in each Third Party Agreement that: (1) the Third Party Agreement lasts for at least twenty-four (24) months after the Completion Date; and (2) the Target Group Company who is a party to that Third Party Agreement is entitled to terminate that Third Party Agreement on notice at any time after the first (1st) anniversary of the Completion Date, without incurring any early termination or similar payments; and
 - (vii) each Third Party Agreement must include appropriate safeguards concerning the security of the Target Group HR Data and Target Group Financial Data, must comply with all applicable Data Protection Laws in respect of Target Group HR Data and must allow the Target Group Companies to comply with all other Applicable Law.
- (i) Separation shall be deemed to have been completed once the user acceptance tests referred to in clause 4.6(d) have been successfully completed and either:
- (i) the Sellers have transferred the HR Database Work Order to the Purchaser's Group's framework agreement with the HR Database Provider and transferred the Financial Database Work Order to the Purchaser's Group's framework agreement with the Financial Database Provider; or
 - (ii) if that cannot be achieved in respect of the HR Database Work Order or the Financial Database Work Order, the Sellers have complied with their obligations under clause 4.6(f) or, where relevant, clause 4.6(g).

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- (j) In respect of the costs of achieving Separation (except in relation to clauses 4.6(a)(i)(6), 4.6(a)(ii)(6), 4.6(a)(iii)(4), 4.6(f)(i), 4.6(f)(ii) and 4.6(g)), the following provisions shall apply:
- (i) the Sellers are responsible for all of their internal costs;
 - (ii) the Purchaser is responsible for all of its internal costs;
 - (iii) the Sellers are responsible for all: (1) data purge charges in respect of the data purge of Genworth data from the New HR Database; and (2) data purge charges in respect of the data purge of Genworth data from the New Financial Database;
 - (iv) the Purchaser is responsible for non-recurring charges charged by any third party under any of the agreements to be established in relation to Separation (other than those defined in clause 4.6(j)(iii) above) up to a maximum of USD 2.949 million, and the Sellers shall be responsible for all non-recurring charges charged by any third party under any of the agreements to be established in relation to Separation over and above that amount; and
 - (v) the Purchaser or Target Group (as appropriate) shall be responsible for all recurring charges charged by any third party under any of the agreements to be established in relation to Separation, in connection with the ongoing provision of services under those agreements and any other charges relating to Separation.
- (k) Where, pursuant to this clause 4.6, an agreement is to be entered into by FIGSL, the Purchaser (acting reasonably) may require the Sellers to substitute FIGSL for another Target Group Company. Provided that the substitution would not cause any of the Target Group Companies to be in breach of Applicable Law post-Completion, the Sellers shall comply with that request.
- 4.7 The Sellers may, to the extent necessary to:
- (a) reflect compliance with their obligations under clause 4.1(b) or the actions contemplated by clause 4.5; or
 - (b) accurately reflect changes to the registered office or board of directors of any Target Group Company between the Offer Date and the Completion Date, amend Schedule 2 during the period between the Offer Date and the Completion Date and shall promptly provide the Purchaser with a revised draft of Schedule 2 reflecting any such amendments.
- 4.8 As soon as reasonably practicable after and in any event within fifteen (15) days of the Offer Date the Purchaser and the Seller shall establish a committee (the **Review Committee**). The composition, purpose and terms of reference of the Review Committee shall be as set out in Schedule 14.

5. **COMPLETION**

5.1 Completion shall take place at the offices of the Sellers' Solicitors in New York (or in such other place as the parties may agree) on the first Business Day of the calendar month immediately following the month in which the last of the Conditions Precedent is satisfied or waived in accordance with clause 3.1 (the "**Unconditional Date**") provided that if the Unconditional Date falls no more than five (5) Business Days before the last day of the month, either party shall have the option to defer Completion until the first (1st) Business Day of the month immediately following the month within which the Unconditional Date falls by giving at least two (2) Business Days' prior written notice to the other party (the "**Completion Date**"). Notwithstanding the foregoing, if Separation has not been completed according to clause 4.6(i) above by the fifth (5th) Business Day prior to the date that would, but for this sentence, be the Completion Date, either party may, by providing notice to the other party no later than 10:00 a.m. on the third (3rd) Business Day prior to such Completion Date, defer the Completion Date by no more than three (3) months, in which case the Completion Date shall be the earlier of (a) the first (1st) Business Day of the month immediately following the date on which Separation has been so completed according to clause 4.6(i) above, (b) the first (1st) Business Day of the month following the Long Stop Date or (c) the first (1st) Business Day of the month immediately following expiration of such three (3) month deferral period. Completion shall be deemed to occur as of 12:01 a.m. on the first (1st) calendar day of the month in which Completion occurs even if the Completion Date is not such first (1st) calendar day.

5.2 At Completion:

- (a) the Sellers shall:
 - (i) observe and perform the relevant provisions of Part 2 of Schedule 7; and
 - (ii) ensure that a meeting or written resolution of the board of directors of each Company is held or passed at which the directors vote in favour of the registration of the Purchaser or its nominee(s) as member(s) of that Company in respect of the relevant Sale Shares and, where required by the Purchaser, appoint persons nominated by the Purchaser as director or secretary of that Company with effect from the end of the meeting; and
- (b) the Purchaser shall observe and perform the relevant provisions of Part 1 of Schedule 7.

5.3 Subject to clause 5.4 below, the Purchaser and the Sellers are not obliged to complete this Agreement unless in the case of the Purchaser, the Sellers, and in the case of the Sellers, the Purchaser, complies with their obligations under Schedule 7.

- 5.4 If Completion does not take place because the Sellers or the Purchaser (the “**Defaulting Party**”) fails to comply with any of its or their obligations under clause 5.3, the Purchaser, if a Seller is the Defaulting Party, or the Sellers, if the Purchaser is the Defaulting Party (the “**Non-Defaulting Party**”) may by notice to the Defaulting Party:
- (a) proceed to Completion to the extent reasonably practicable; or
 - (b) postpone Completion to such date as the Non-Defaulting Party may specify (being a date not later than the Long Stop Date).
6. **TRANSITIONAL ARRANGEMENTS AND POST-COMPLETION COVENANTS**
- 6.1 On or before Completion the Sellers shall procure that the Companies and Genworth shall enter into the Genworth Transitional Services Agreement.
- 6.2 On or before Completion the Sellers shall procure that the Companies, Genworth Financial Mortgage Insurance Limited and Genworth Financial Mortgage Services Limited shall enter into the Mortgage Business Transitional Services Agreement.
- 6.3 On or before Completion the Sellers shall procure that Genworth Holdings, Inc. and the Sellers’ Guarantor shall enter into the Transitional IP License Agreement with each relevant Target Group Company as identified by the Purchaser.
- 6.4 As soon as reasonably practicable after Completion (and, in any event, within sixty (60) days of Completion), the Purchaser shall procure that the Target Group does not:
- (a) use any Sellers’ Intellectual Property;
 - (b) use or display (including on or in its business stationery, documents, signs, brochures, catalogues, advertising, promotional materials, domain names, website, social media sites, social networks or mobile devices) any name, mark or logo which consists of or comprises, or is likely to be confused or associated with, any name, mark or logo of a member of the Sellers’ Group; or
 - (c) represent that the Sellers or any other member of the Sellers’ Group retains any connection with the Target Group,
- save as expressly permitted by the terms of the Transitional IP License Agreement.
- 6.5 The Purchaser shall, and shall procure that each member of the Purchaser’s Group and the Target Group shall, for a period of six (6) years from Completion:
- (a) retain in its, the Target Group’s, or the relevant member of the Purchaser’s Group’s possession and control,
 - (b) promptly during normal business hours and on reasonable notice, permit the Sellers or their duly authorised representatives for the purpose of obtaining information required for the Sellers or a member of the Sellers’ Group to comply with any Applicable Law, rules or regulations, any request from a Regulatory Authority (including any self-regulatory organisation and any stock exchange on

which the securities of any member of the Sellers' Group are listed) or for the purposes of defending or pursuing any litigation, arbitration or other similar proceedings, or the preparation or audit of accounts and Taxation returns and filings, to inspect and (to the extent permitted by Applicable Law) take copies (including electronic copies) of, and

- (c) upon the reasonable request of the Sellers and reasonable notice, provide the Sellers with electronic access (whether by way of email or an online data site) to,

in each case, all of the business records of the Target Group created in respect of the period before Completion and created prior to Completion (including all records related or otherwise pertaining to the matters set out in Schedule 9 hereto) that are in its, the Target Group's or a member of the Purchaser's Group's possession or control, and the Purchaser shall procure that any business record that is held by the Target Group before Completion and which is required by law to be retained is properly maintained and retained subject to any mandatory obligations of the Target Group under Applicable Law.

- 6.6 The Purchaser shall, or shall procure that the relevant Target Group Company shall, as soon as reasonably practicable following Completion, terminate or decline to renew the agreements listed in folder 5.2.1.8.22 of the Data Room in accordance with their terms and without incurring any penalty in doing so.

7. RESTRICTIVE COVENANTS

- 7.1 Without the prior consent of the Purchaser (which may be withheld by the Purchaser in its sole discretion), each Seller and the Sellers' Guarantor undertakes to the Purchaser that for a period of twenty-four (24) months from the Completion Date (the "**Non-Compete Period**"), no member of the Sellers' Group will:

- (a) be engaged in any business which directly competes with the lifestyle protection insurance business carried on by any of the Insurance Companies, being the range of risks and products issued or reinsured in the conduct of the business by any of the Insurance Companies as of the Completion Date, in any jurisdiction listed on Schedule 12 hereto (a "**Competing Business**") (other than as a holder of shares in a company carrying on such a business where the shareholding is for investment purposes only and does not confer control over the business in question); or
- (b) solicit or cause to be solicited the employment of, or hire, any then current employee of a Target Group Company who was employed by the Target Group Company as of the Completion Date.

- 7.2 Nothing in clause 7.1 shall prevent or restrict any member of the Sellers' Group from:

- (a) carrying on or being engaged in, anywhere in the world, any existing Competing Business which it has disclosed to the Purchaser that it carries on as at the Offer Date to the extent so carried on;

- (b) carrying on or being engaged in, anywhere in the world, the Mortgage Insurance Business, or the business of entering into reinsurance contracts with Barbados ceding companies ceding Canadian risks of the type identified in folder 5.2.1.6.133 of the Data Room;
- (c) carrying on or being engaged in any Competing Business after such time as the Target Group ceases to carry on or be engaged in such business;
- (d) acquiring directly or indirectly, shares in or the whole or any part of the undertaking or assets of any company which carries on a Competing Business, provided that the acquired direct or indirect stake therein does not exceed 10% of the issued share capital of the company which carries on a Competing Business;
- (e) carrying on or being engaged in any business activity conducted by an Acquired Affiliate if, at the time of acquisition of such Acquired Affiliate, the revenues derived from the Competing Business of such Acquired Affiliate (i) constitute less than 40% of the gross revenues of such Acquired Affiliate for the most recently completed fiscal year preceding such acquisition and (ii) together with any other Acquired Affiliate permitted to be acquired pursuant to this clause 7.2, has revenues of a Competing Business which account for less than USD 100,000,000 per annum in aggregate, and provided further that the Sellers shall not and shall procure that the Acquired Affiliate does not materially develop or grow the Competing Business within such Acquired Affiliate or the Sellers' Group during the Non-Compete Period; and
- (f) save for the persons listed in Part B of Schedule 16, who shall not be hired by the Sellers in any circumstances during the Non-Compete Period, (i) making generalized searches for employees by use of advertisements in the media (including trade media) or recruiters, so long as such searches are not targeted at employees of any Target Group Companies, and hiring individuals identified as a result of such searches; or (ii) hiring any such employee who initiates contact with the Sellers' Group on his or her own initiative following Completion, without any direct or indirect (except for the exceptions provided in (i) above) communication from the Sellers' Group, as long as, in the case of (ii) above, the hiring party can demonstrate through reasonable evidence that such employee initiated contact on his or her own initiative.

Furthermore, nothing in clause 7.1 shall restrict any person that purchases assets, operations or a business from the Sellers if such person is not an affiliate of any Seller after such transaction is consummated.

- 7.3 Without the prior consent of the Sellers (which may be withheld by any Seller in its sole discretion), the Purchaser undertakes to the Sellers that for a period of twenty-four (24) months from the Completion Date, no member of the Purchaser's Group will (a) hire the individuals identified in Schedule 16, or (b) knowingly solicit or cause to be solicited the employment of, or hire, (i) any person employed in the Sellers' European Mortgage Insurance Business or (ii) any other employee of the Sellers with whom the relevant member of the Purchaser's Group first came into contact in connection with the negotiation of this Agreement or the Transaction.

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- 7.4 Nothing in clause 7.3(b) shall prevent or restrict any member of the Purchaser's Group from:
- (a) making generalized searches for employees by use of advertisements in the media (including trade media) or recruiters, so long as such searches are not targeted at employees of any member of the Sellers' Group, and hiring individuals identified as a result of such searches; or
 - (b) hiring any such employee who initiates contact with the Purchaser's Group on his or her own initiative following Completion, without any direct or indirect (except for the exceptions provided in (a) above) communication from the Purchaser's Group, as long as, in the case of this part (b), the hiring party can demonstrate through reasonable evidence that such employee initiated contact on his or her own initiative.
- Furthermore, nothing in clause 7.3 shall restrict any person that purchases assets, operations or a business from the Purchaser if such person is not an affiliate of the Purchaser after such transaction is consummated.

8. **EMPLOYEE MATTERS**

- 8.1 The Purchaser shall, or shall procure that a Target Group Company shall, take responsibility for the Transferring Seller Group Plan on and from the Completion Date (including, but not limited to, all financial responsibility for the Transferring Seller Group Plan and replacing the current Principal Company, as defined in the governing documents) and the Purchaser shall procure that the applicable Target Group Company executes such documents as are reasonably necessary to effect the transfer of the Transferring Seller Group Plan to the Target Group Company, provided that the Sellers may, prior to the Completion Date, transfer responsibility for the Transferring Seller Group Plan to such Target Group Company as is agreed with the Purchaser. The Sellers' Group shall have no further liability or obligations and shall incur no further expenses in respect of the Transferring Seller Group Plan in respect of the period on or after Completion.
- 8.2 The Purchaser shall recognise, or cause to be recognised, the full amount of all co-insurance, deductibles and similar expenses incurred by each Employee (or his or her eligible dependents) during the plan year in which the Completion Date occurs for purposes of satisfying such year's deductible and co-payment limitations under the expatriate medical plan and the U.S. local medical plan disclosed at document 1.4.25 of the HR Data Room.
- 8.3 From the Completion Date to the first (1st) anniversary of the Completion Date, the Purchaser shall, or shall procure that the Target Group shall, continue to provide Employees in Ireland and the United Kingdom with severance entitlements in accordance with the arrangements disclosed at document 6.3.4 in the HR Data Room, in addition to any entitlement under Applicable Law.

- 8.4 To the extent such amounts (including the cost of any employer social security contributions which would arise in connection with a payment under this clause 8.4) are reflected in the Final Balance Sheet, the Purchaser shall, or shall procure that a Target Group Company shall, pay to each Employee who participates in a Seller Bonus Plan, any payments due in respect of the current plan year (to be paid in accordance with the terms of the plan). In making such payments the Purchaser (or, if applicable, the relevant Target Group Company) shall distribute in full the relevant sums that have been reflected in the Final Balance Sheet. The Purchaser shall, or shall procure that a Target Group Company shall, exercise any discretion in relation to the Seller Bonus Plans in a manner which is consistent with the terms of the plan and Applicable Law.
- 8.5 To the extent such amounts (including the cost of any employer social security contributions which would arise in connection with a payment under this clause 8.5) are reflected in the Final Balance Sheet, the Purchaser shall pay any amount that any Employee is entitled to in accordance with the terms of any awards under the Seller Incentive Plan to each Employee in accordance with the relevant plan rules.
- 8.6 The Sellers agree to indemnify the Purchaser against any liability of the Purchaser or any Target Group Company in respect of any amounts owed to any Employee in connection with the Seller Incentive Plan (including the cost of any employer social security contributions) to the extent that such liability is not already reflected in the Final Balance Sheet.
- 8.7 In relation to the Seller Retention Plans:
- (a) within five (5) Business Days of Completion, the Sellers shall provide the Purchaser with a written notice setting out the gross amount payable to each Employee who is eligible to receive a payment under a Seller Retention Plan;
 - (b) the Purchaser shall provide the Sellers with a Seller Payment Notice within five (5) Business Days of receipt of a written notice pursuant to clause 8.7(a);
 - (c) within fifteen (15) Business Days of receiving a Seller Payment Notice (and such other information relating to the Seller Payment that the Sellers may reasonably request), the Sellers shall transfer a Seller Payment to the Purchaser equal to the amount specified in the Seller Payment Notice; and
 - (d) within five (5) Business Days of receiving a Seller Payment, the Purchaser shall procure that a Target Group Company shall use the Seller Payment to:
 - (a) make payments to Employees in accordance with the terms of their awards under the Seller Retention Plans; and
 - (b) pay any employer social security contributions in respect of the payments made to Employees in accordance with the terms of their awards under the Seller Retention Plans.

- 8.8 Upon the Completion Date, the Sellers' Guarantor will continue to honour each Seller Equity Compensation Award in accordance with the terms and conditions of such awards and:
- (a) save as otherwise identified in this clause 8.8, the Purchaser shall have no obligation to assume any liabilities, loss or Taxes arising in relation to the Seller Equity Compensation Awards or to assume the Seller Equity Compensation Awards themselves;
 - (b) the Sellers' Guarantor shall notify the Purchaser of the number of shares which vest or are exercised under each Seller Equity Compensation Award and the names of the Employees holding those Seller Equity Compensation Awards and shall transfer to the Purchaser or a Purchaser's Group Company, as notified by the Purchaser, the amounts required to meet any Taxes and social security liability arising on the vesting or exercise of the Seller Equity Compensation Awards which the Purchaser shall, or shall procure that a Purchaser's Group Company shall, pay to the relevant Taxation Authority and fulfill any related reporting obligations; and
 - (c) the Sellers' Guarantor shall transfer the remaining shares directly to the relevant Employees.
- For purposes of the foregoing, the Sellers' Group and the Purchaser shall mutually cooperate to take such actions as are necessary or appropriate to effectuate the provisions of this clause 8.8.
- 8.9 The Sellers shall indemnify the Purchaser against any liability (other than any liability which has already been covered by a Seller Payment under clause 8.7 above) of the Purchaser or any Target Group Company in respect of the Seller Retention Plans save that this indemnity shall not cover any liability arising from any failure of the Purchaser to comply with the Seller Retention Plans.
- 8.10 The Sellers and the Sellers' Guarantor agree to retain responsibility for the Irish ESOP, including withholding and/or paying any Taxes and social security arising in connection with the Irish ESOP. The Purchaser agrees to provide the Sellers with any information the Sellers reasonably require and to execute such documents as are reasonably necessary to enable the Sellers to meet their obligations in this clause 8.10.
- 8.11 The Sellers agree to indemnify the Purchaser against any liability of the Purchaser or any Target Group Company in respect of the Seller Equity Compensation Awards and the Irish ESOP (other than any liability for which a payment is made under clause 8.8 above).
- 8.12 To the extent that Completion occurs during a payroll cycle in any of the relevant jurisdictions, the Sellers shall (otherwise than to the extent that the relevant cost or liability has already been recovered under the Tax Covenant or is otherwise already reflected in the Final Balance Sheet) reimburse the Purchaser, through the apportionment paid pursuant to clause 2 of this Agreement, the portion, if any, of any payroll salary payments, including overtime payments, and employer-paid Taxes, paid post Completion which relate to any Employee's employment up to the Completion Date.

- 8.13 In relation to the US Employee:
- (a) the Purchaser shall, or shall procure that a member of the Purchaser's Group shall, at least thirty (30) days prior to Completion, offer the US Employee employment to be effective on Completion, on terms substantially comparable to those upon which the US Employee was previously employed by the Sellers' Group immediately prior to Completion as disclosed at folder 1.4.21USA in the HR Data Room;
 - (b) at Completion, the Sellers will procure that Genworth Mortgage Insurance Corporation, to the extent legally permissible, immediately releases the US Employee from employment with the Sellers' Group without further notice; and
 - (c) in the event that an offer of employment is not made in accordance with clause 8.13(a) above and subject to Genworth Mortgage Insurance Corporation giving notice of lay-off to the US Employee within fourteen (14) days of the Purchaser failing to comply with its obligations in clause 8.13(a) (the "**Period**"), the Purchaser shall indemnify the Sellers' Group in respect of: (i) any severance costs due to the US Employee; and (ii) the cost of employing the US Employee during the Period and during the US Employee's notice period (not exceeding sixty (60) days).
 - (d) For the purposes of this clause 8, the defined term "Employees" shall be deemed to include the US Employee.
- 8.14 Any amount or payment due from the Sellers or the Sellers' Guarantor under clauses 8.6, 8.9, 8.11, 8.12 and 8.15 shall be calculated on a fully after-Tax basis. For the purposes of this clause 8.14 and the definition of "Seller Payment," "after-Tax" shall take into account (a) the extent to which the amount in respect of which the payment is being made is Tax deductible for corporate income Tax for the Purchaser or Target Group Company concerned and gives rise to an actual saving of Tax and (b) whether the payment for the recipient is liable to Tax and if an amount would be liable to Tax for the recipient but for use of a Purchaser's Relief (as defined in the Tax Covenant), the recipient will be treated as liable for the Tax in this calculation.
- 8.15 To the extent that the Irish SERP Payment (including the cost of any employer social security contributions which would arise in connection with a payment under this clause 8.15) is reflected in the Final Balance Sheet, the Purchaser shall, or shall procure that a Target Group Company shall, pay the Irish SERP Payment to the employee with SSO number 110000042 in accordance with the terms of the Irish SERP Waiver. The Purchaser and the Target Group shall have no liability in respect of the Irish Supplemental Executive Retirement Plan and the Sellers shall indemnify the Purchaser against any liability of the Purchaser or any Target Group Company and against any costs and expenses incurred in relation to any such liability in respect of the Irish Supplemental Executive Retirement Plan and the Irish SERP Payment to the extent that such liability (or any part thereof) is not already reflected in the Final Balance Sheet.

9. **GUARANTEES**

- 9.1 The Sellers shall procure that from Completion the Target Group Companies are released from the guarantees and indemnities given by the Target Group in respect of a liability or obligation of a member of the Sellers' Group, each of which is listed in Part I of Schedule 8, and pending final release the Sellers shall indemnify the Target Group Companies against all liabilities under these guarantees and liabilities.
- 9.2 The Purchaser shall, as soon as reasonably practicable after Completion, and in any case no later than five (5) Business Days after Completion, procure that the relevant member of the Sellers' Group is released from the guarantees and indemnities given by that member in respect of any liability or obligation of the Target Group as listed in Part II of Schedule 8, and pending such release the Purchaser shall indemnify that member against all liabilities under those guarantees and indemnities.
- Clause 9.2 may be enforced by each relevant member of the Sellers' Group against the Purchaser under the UK Contracts (Rights of Third Parties) Act 1999. The provisions of clause 9.2 may be varied by agreement between the Sellers and the Purchaser (and the Sellers may also release or compromise in whole or in part any liability in respect of rights or claims contemplated by clause 9.2) without the consent of any other member of the Sellers' Group.

10. **SELLERS' WARRANTIES, INDEMNITY AND LIABILITY**

- 10.1 Each of the Sellers warrants, on a several basis for itself and in respect of the Sale Shares being sold or procured to be sold by it only, that except as Fairly Disclosed to the Purchaser in the Disclosure Letter or the Data Room, each of the Sellers' Individual Warranties is, subject to clause 10.4, true and accurate and not misleading at the Offer Date.
- 10.2 The Sellers warrant to the Purchaser on a joint and several basis that, except as Fairly Disclosed to the Purchaser in the Disclosure Letter, the Data Room or the HR Data Room, each of the Warranties is, subject to clause 10.4, true and accurate and not misleading at the Offer Date.
- 10.3 The Sellers further warrant to the Purchaser, on a several basis with respect to each Sellers' Individual Warranty, and on a joint and several basis with respect to each applicable Warranty, that except as Fairly Disclosed to the Purchaser in the Disclosure Letter or Data Room, each of the Fundamental Warranties will immediately before Completion (by reference to the facts and circumstances existing at Completion) be, subject to clause 10.4, true, accurate and not misleading in all respects, provided that no such Fundamental Warranty shall be untrue solely as a result of any Seller taking or causing to be taken any action set out on Schedule 13.

- 10.4 Clauses 10.1, 10.2 and 10.3 shall apply as if none of the Sellers' Individual Warranties or Warranties, other than those set out in paragraphs 2.5 and 4 of Schedule 4 relates in any way to Taxation.
- 10.5 The Sellers shall indemnify the Purchaser against all liability of any member of the Purchaser's Group or Target Group to contribute to the UK Defined Benefit Plan and against any costs and expenses incurred in relation to any such liability. The Purchaser will notify the Sellers as soon as reasonably practicable after becoming aware of a specific matter or circumstance which is reasonably likely to give rise to a claim under this clause 10.5 in the foreseeable future.
- 10.6 If, for any reason, the Sellers have not completed the actions contemplated under paragraph 5(a) of Schedule 13 relating to the wind down and transfer of Genworth Seguros Danos, S.A. de C.V. and wind down of Genworth Seguros Vida, S.A. de C.V. by the Completion Date, the Sellers agree to continue to use their best endeavours to carry out such actions after the Completion Date and (other than in regard to costs, expenses or liabilities in connection with the Trust Administrative Services Agreements or Company Administrative Services Agreements which are covered in those agreements), to indemnify the Purchaser against all costs or losses incurred by any member of the Purchaser's Group or Target Group in connection therewith until the wind down and transfer of Genworth Seguros Danos, S.A. de C.V. and wind down of Genworth Seguros Vida, S.A. de C.V as contemplated under paragraph 5(a) of Schedule 13 has been completed.
- 10.7 The Sellers hereby covenant to the Purchaser and each Target Group Company that they will pay to the Purchaser or such Target Group Company an amount equal to the amount of:
- (a) all PPI Distributor Mis-selling Losses, save to the extent that a Target Group Company receives payment from a PPI Distributor in respect of such PPI Distributor Mis-selling Losses;
 - (b) any Complaints-Handling Losses, save to the extent that the Purchaser has recovered such Complaints-Handling Losses against the Relevant Distributor under the Relevant Distributor Agreement, having used its reasonable endeavours to pursue a claim thereunder;
 - (c) any costs, claims, damages or expenses or any other losses incurred by a Target Group Company which arise out of or directly relate to a failure by such Target Group Company or its employees or agents prior to Completion to comply with any Data Protection Laws; and
 - (d) any costs, claims, damages or expenses or any other losses incurred by such Target Group Company after Completion as a result of any Enforcement Action or Action against such Target Group Company which arise out of or directly relate to any failure by Financial Assurance Company Limited to hold the necessary authorisations to carry out Accident and Sickness insurance business (as defined in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001) in Spain in accordance with Applicable Law prior to Completion.

- 10.8 The Sellers hereby covenant to the Purchaser and each Target Group Company that they will pay to the Purchaser or such Target Group Company on demand an amount equal to:
- (a) ninety percent (90%) of all Relevant Distributor Mis-selling Losses; and
 - (b) ninety percent (90%) of the amount of all costs, claims, damages, expenses or any other losses incurred by the Purchaser or a Target Group Company after Completion resulting from the Relevant Distributor Dispute or settlement thereof including any such losses incurred pursuant to any Action which arises from such Relevant Distributor Dispute, but excluding, after the First Termination Date, the amount of all such losses resulting from a dispute described in clause (a) of the definition of "Relevant Distributor Dispute",
- such obligation to continue in the case of clause 10.8(a) until the date (the "**First Termination Date**") on which the relevant Target Group Company and the Relevant Distributor enter into the Relevant Distributor Agreement, and in the case of clause 10.8(b) until the date (the "**Second Termination Date**") on which both the Relevant Distributor Agreement has been entered into and the relevant Target Group Company has entered into an administration agreement with the Relevant Third Party in respect of the administration of Insurance Contracts distributed by the Relevant Distributor. The form of the Relevant Distributor Agreement and the administration agreement with the Relevant Third Party will in each case be subject to the prior approval of the Purchaser prior to Completion and the prior approval of the Sellers following Completion (in each case, such approval not to be unreasonably withheld or delayed), and in the case of the Relevant Distributor Agreement will be substantially in the Agreed Form. Prior to Completion the Sellers shall and shall cause the Target Group Companies to use reasonable endeavours, and following Completion the Purchaser shall and shall cause the Target Group Companies to use reasonable endeavours, to procure the execution and delivery of the Relevant Distributor Agreement and the administration agreement with the Relevant Third Party. Within thirty (30) Business Days of each of the First Termination Date and the Second Termination Date the Purchaser will issue a final demand in respect of all accrued and unpaid obligations of the Sellers under clause 10.8(a) or, as applicable, (b) and upon payment of such demand the Sellers shall be released from their obligations under this clause 10.8; provided, however, if each of the First Termination Date and Second Termination Date shall occur prior to Completion, no such demand shall be required and the Sellers shall have no liability whatsoever under this clause 10.8.
- 10.9 The parties agree as follows:
- (a) The Purchaser (or, prior to Completion, the Sellers) shall procure that the Target Group Companies establish and maintain the Applicable Account for the period commencing on 1 January 2014 and ending on the Final Calculation Date (the "**Calculation Period**");

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- (b) The Purchaser shall provide the Sellers with a copy of the current position shown by the Applicable Account calculated as of 30 June 2016 and semi-annually as of each 31 December and 30 June thereafter until the Final Calculation Date, within forty five (45) days of each such date, as well as such additional supporting information with respect to the entries shown on the Applicable Account as the Sellers may reasonably request within fifteen (15) days of any such request;
- (c) The Purchaser and Sellers shall jointly agree, within thirty (30) Business Days after the Final Calculation Date, to appoint an actuary independent of each of the Purchaser and Sellers (the “**Independent Actuary**”) reasonably acceptable to each of the Purchaser and the Sellers, with relevant French market experience and expertise with respect to the risks covered by the Applicable Business to calculate a final settlement amount equal to the Final Underwriting Profit Less Agreed Amount and to set out in a report the Final Underwriting Profit Less Agreed Amount so calculated as well as the methodology and assumptions used to carry out such calculation (the “**Settlement Report**”). If the parties cannot agree on the identity of the Independent Actuary, each party shall nominate an actuary independent of such nominating party, and those nominated actuaries will agree on the identity of the Independent Actuary, which shall not be either actuary nominated by a party. For the purposes of preparing the Settlement Report, the Independent Actuary shall apply the methodology set out in Part II of Schedule 18 and such other methodology and assumptions as the Independent Actuary considers appropriate for determining the third component of the Final Underwriting Profit Less Agreed Amount and shall determine the second component of the Final Underwriting Profit Less Agreed Amount following a review of calculations thereof certified by the relevant Insurance Company’s chief financial officer (but not deviating from the basis of calculating the Applicable Account provided for herein) and applicable supporting materials, all of which certificates and materials shall be provided by Purchaser to the Sellers and representatives specified by the Sellers at the time of delivery to the Independent Actuary. The Final Underwriting Profit Less Agreed Amount as set out in the Settlement Report shall be final and binding on the parties unless the Sellers or the Purchaser provide(s) to the other(s) written notice of their objection to the calculation of the Final Underwriting Profit Less Agreed Amount (a “**Settlement Objection Notice**”) within forty-five (45) Business Days after receipt of the Settlement Report (which Settlement Objection Notice may refer to the calculation of either the second or the third component of the Final Underwriting Profit Less Agreed Amount). Within fifteen (15) Business Days of receipt of a Settlement Objection Notice, the Sellers and Purchaser shall agree the appointment of an expert independent of each of the Purchaser and Sellers with relevant actuarial experience and expertise in the French insurance market and with respect to the risks covered by the Applicable Business (the “**French Expert**”), who shall be directed to promptly, and in any event within thirty (30) calendar days after his appointment, render his decision on the objected items. In the absence of agreement between the parties, the French Expert shall be appointed by the President of the French “Institut des Actuaire” at the request of either party (who shall be independent of both the Purchaser and Sellers and

shall have relevant French market experience and expertise with respect to the risks covered by the Applicable Business); provided, however, if the President of the French "Institut des Actuaire" is not independent of both the Purchaser and the Sellers, the French Expert shall be appointed by the next most senior officer of the "Institut des Actuaire" that is independent of both the Purchaser and the Sellers. For the avoidance of doubt, the French Expert shall not review any items or make any determination with respect to any matters not identified as being subject to a dispute in the Settlement Objection Notice and shall take account of the methodology set out in Part II of Schedule 18. The French Expert's determination as to each objected item shall be set forth in a written statement delivered to each party and shall be final and binding on all parties, save in the event of manifest error, in which case the matter shall be remitted to the French Expert for correction. The aggregate fees and expenses of the Independent Actuary and, if required, the French Expert shall be shared equally between the Purchaser, on the one hand, and the Sellers, on the other hand. Each of the Purchaser and the Sellers shall be permitted to make presentations to the French Expert within fifteen (15) days after the appointment of the French Expert. The final determinations of the French Expert pursuant to this clause 10.9(c) shall be deemed an expert determination under English law governing expert determination and appraisal proceedings. Any claim, dispute or controversy arising out of or relating to the final determination of the French Expert pursuant to this clause 10.9(c), including enforcement of such final determination, shall be resolved by the courts referenced in clause 21.

(d) If the Final Underwriting Profit Less Agreed Amount is:

- (i) greater than zero, then the Purchaser shall pay to Sellers an amount equal to the lesser of (1) the Final Underwriting Profit Less Agreed Amount and (2) EUR 10,000,000; and
- (ii) less than zero (an "**Underwriting Loss**"), then Sellers shall pay to Purchaser an amount equal to (1) ninety percent (90%) of the first EUR 10,000,000 of such Underwriting Loss plus (2) if the Underwriting Loss is greater than EUR 10,000,000, the Relevant Proportion of such excess.

(e) Any payment required by this clause 10.9 shall be made to the account or accounts previously provided to the Sellers or Purchaser, as applicable, for purposes thereof, within fifteen (15) Business Days of the final agreement or determination of the Final Underwriting Profit Less Agreed Amount in accordance with this clause 10.9.

(f) Following payment of the required amount under clause 10.9(d) neither the Purchaser nor the Sellers shall be liable to pay any sum to the other(s) with respect to the Applicable Business or otherwise under this clause 10.9.

10.10 The Sellers' and the Purchaser's respective liability in respect of the Warranties, the Clause 10.7 Covenants and the Tax Covenant shall be subject to the limitations and other

provisions set out in Schedule 5 and the Tax Covenant. Nothing in Schedule 5 or the Tax Covenant limits or excludes any liability for fraud. For the avoidance of doubt, except as otherwise provided in Schedule 5, the limitations in Schedule 5 shall not apply to the covenants set out in clauses 10.8 or 10.9 above.

- 10.11 Notwithstanding anything contained herein to the contrary, the Purchaser and the Sellers hereby agree and acknowledge, in the event that any action, fact or circumstance, or series of similar actions, facts or circumstances, could give rise to a claim by the Purchaser under more than one provision of this clause 10, the Purchaser shall not be permitted to bring a claim and seek recovery against the Sellers under both (i) a Warranty Claim; and (ii) a Clause 10.7 Covenant Claim or a claim under clauses 10.5, 10.6, 10.8 or 10.9 in respect of the same loss. If an action, fact or circumstance, or series of similar actions, facts or circumstances, exists that would allow the Purchaser to bring a Warranty Claim and/or a Clause 10.7 Covenant Claim or a claim under clause 10.8, the Purchaser shall only be permitted to bring a Warranty Claim, a Clause 10.7 Covenant Claim or a claim under clause 10.8 in relation to the same action, fact or circumstance, or series of similar actions, facts or circumstances.

11. **ACTUARIAL MATTERS**

- 11.1 The Purchaser acknowledges and agrees with the Sellers that the Purchaser is responsible for assessing the extent to which it requires appropriate independent actuarial advice relating to the purchase of the Target Group and the terms of this Agreement.

- 11.2 None of the Sellers' Individual Warranties, the Warranties nor any other provision of this Agreement, any of the other Transaction Documents or any document delivered in connection with the transactions contemplated hereby or thereby shall be construed as a representation or warranty as to:

- (a) the accuracy of any forecasts, assumptions, estimates or projections contained in any actuarial information provided to the Purchaser;
- (b) the adequacy or sufficiency of the Reserves of the Insurance Companies; or
- (c) save as expressly provided for in paragraph 3.2 of Schedule 4, whether or not such Reserves were determined in accordance with any actuarial, legal or other standard.

Furthermore, the Purchaser acknowledges and agrees that no fact, condition, development or issue relating to adequacy or sufficiency of the Reserves may be used, directly or indirectly, to demonstrate or support the breach of any Sellers' Individual Warranties or Warranties.

12. **PURCHASER'S WARRANTIES**

The Purchaser warrants to the Sellers that as of the Offer Date and at the Completion Date:

- (a) it is a company validly existing under the laws of France and it has the power to execute and deliver this Agreement, and each of the other Transaction Documents to which it is or will be a party, and to perform its obligations under each of them and has taken all action necessary (including, without limitation, procuring board approval for the Transaction Documents and the transactions contemplated therein) to authorise such execution and delivery and the performance of such obligations;
- (b) this Agreement constitutes, and each of the other Transaction Documents to which it is or will be a party will, when executed, constitute legal, valid and binding obligations of the Purchaser in accordance with its terms;
- (c) the execution and delivery by the Purchaser of this Agreement and of each of the other Transaction Documents to which it is or will be a party and the performance of the obligations of the Purchaser under it and each of them do not and will not constitute a conflict with or breach of:
 - (i) the constitutional documents of the Purchaser; or
 - (ii) any Applicable Law;
- (d) other than as set out in Schedule 3, all material authorisations from, and notices or filings with, any governmental or other authority that are necessary to enable the Purchaser to execute, deliver and perform its obligations under this Agreement and each of the other Transaction Documents to which it is or will be a party have been obtained or made (as the case may be) and are in full force and effect and all conditions of each such authorisation have been complied with and no other material authorisations from, or notices or filings with, any governmental or other authority are required to enable the Purchaser to execute, deliver or perform its obligations under this Agreement or any of the other Transaction Documents to which it is or will be a party;
- (e) the Purchaser has (and at Completion will have) immediately available on an unconditional basis the necessary cash resources to meet its obligations under this Agreement, and each of the other Transaction Documents to which it is or will be a party;
- (f) the obligations of the Purchaser to effect the transactions contemplated by this Agreement and the other Transaction Documents are not conditioned upon the availability to the Purchaser of any debt, equity or other financing in any amount whatsoever; and
- (g) so far as the Purchaser is aware, there are no matters or circumstances applicable to the Purchaser that would reasonably be expected to adversely affect the ability of the Purchaser from consummating the transactions contemplated by this Agreement or any of the other Transaction Documents.

13. **INTELLECTUAL PROPERTY**

- 13.1 The Purchaser acknowledges and agrees that neither it nor any member of the Purchaser's Group is purchasing, acquiring, licensing or otherwise obtaining any right, title or interest in, to or under any Sellers' Intellectual Property under this Agreement, and that the extent of the Purchaser's and the Target Group's interest in the Sellers' Intellectual Property is limited to the express terms of the Transitional IP License Agreement, the Genworth Transitional Services Agreement and the Mortgage Business Transitional Services Agreement.
- 13.2 Notwithstanding anything to the contrary in this Agreement, the Sellers or any other member of the Sellers' Group may procure that any member of the Target Group assigns any and all rights, title or interest it has in or to any Sellers' Intellectual Property to a Seller or any other member of the Sellers' Group prior to Completion.
- 13.3 To the extent that any Sellers' Intellectual Property is owned by a member of the Target Group immediately following Completion, the Purchaser shall procure that the Target Group shall promptly assign any and all rights, title or interest it has in or to any Sellers' Intellectual Property to a member of the Sellers' Group as the Sellers may direct.
- 13.4 Subject to clause 6, the Purchaser agrees that following Completion, neither it nor any member of the Purchaser's Group nor the Target Group shall:
- (a) have any right, title or interest in, or any authority or license to use or allow others to use in any manner whatsoever, any Sellers' Intellectual Property, and the Purchaser shall procure that any such right, title, interest, authority, license or sublicense or other agreement relating thereto (whether written or oral) existing prior to Completion is terminated by the Target Group at Completion to the extent permitted by the relevant agreement;
 - (b) contest the ownership or validity of any rights of the Sellers or any member of the Sellers' Group in or to the Sellers' Intellectual Property; or
 - (c) adopt, use or register in any jurisdiction any of the Sellers' Intellectual Property or any Intellectual Property Right that consists of, comprises or is confusingly similar to any of the Sellers' Intellectual Property, or instruct others to do so.

14. **ANNOUNCEMENTS AND CONFIDENTIALITY**

- 14.1 Subject to clauses 14.5 and 14.6, the Sellers shall (and shall procure that each member of the Sellers' Group, and, in respect of the period up to Completion, the Target Group shall) and the Purchaser shall (and shall procure that each member of the Purchaser's Group, and, in respect of the period from Completion, the Target Group shall):
- (a) not make any announcement concerning the sale and purchase of the Sale Shares or any related or ancillary matter; and

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- (b) keep confidential the provisions and subject matter of, and the negotiations relating to, each Transaction Document.
- 14.2 The Purchaser:
- (a) shall, and shall procure that each other member of the Purchaser's Group for the time being shall, from and after the Offer Date, keep confidential all information provided to it by or on behalf of the Sellers or otherwise obtained by it in connection with this Agreement which relates to the Sellers or any other member of the Sellers' Group; and
- (b) shall procure that, if after Completion the Target Group holds confidential information relating to the Sellers or any other member of the Sellers' Group, the Target Group shall after Completion keep that information confidential and shall return that information to the Sellers or destroy it (at the Sellers' option), in either case without retaining copies, provided that the Purchaser may retain such confidential information (i) for regulatory or record retention purposes to the extent required by Applicable Law or (ii) that is retained automatically as part of a computer disaster recovery system which is designated and used only for archival purposes as part of a bona fide document retention policy.
- 14.3 The Sellers:
- (a) shall, and shall procure that each other member of the Sellers' Group for the time being shall keep confidential all information arising from their ownership of the Target Group; and
- (b) shall, and shall procure that each other member of the Sellers' Group shall, keep confidential all information provided to it by or on behalf of the Purchaser or otherwise obtained by it in connection with this Agreement which relates to the Purchaser or other members of the Purchaser's Group and shall return that information to the Purchaser or destroy it (at the Purchaser's option), in either case without retaining copies, provided that the Sellers may retain such confidential information (i) for regulatory or record retention purposes to the extent required by Applicable Law or (ii) that is retained automatically as part of a computer disaster recovery system which is designated and used only for archival purposes as part of a bona fide document retention policy.
- 14.4 Except to the extent specified in such clauses, the provisions of clauses 14.1 to 14.3 shall apply from the Offer Date.
- 14.5 Nothing in clauses 14.1 to 14.3 shall prevent any announcement being made or any confidential information being disclosed:
- (a) where such announcement is in the Agreed Form or the confidential information disclosed comprises only information set out in an announcement in the Agreed Form; or

- (b) with the written approval of the other party or parties to whom such confidential information relates, which in the case of any announcement shall not be unreasonably withheld or delayed; or
- (c) to the extent required or requested by law, any court of competent jurisdiction or any competent regulatory body (including, for the avoidance of doubt, the rules of any self-regulatory organisation and any stock exchange on which the securities of any member of the Sellers' Group are listed), but if a person is so required or requested to make any announcement or to disclose any confidential information (which has not been the subject of previous disclosure to any such regulatory body), the relevant party shall promptly notify the other party or parties to whom such confidential information relates, where practicable and lawful to do so, before the announcement is made or disclosure occurs (as the case may be) and shall co-operate with the other relevant parties regarding the timing and content of such announcement or disclosure (as the case may be) or any action which the other relevant parties may reasonably elect to take to challenge the validity of such requirement. For the avoidance of doubt, no member of the Sellers' Group or Purchaser's Group shall be required to provide advance notification to or consult with any member of the Purchaser's Group (in the case of a member of the Sellers' Group) or any member of the Sellers' Group (in the case of a member of the Purchaser's Group) prior to making any regularly required filing or disclosure required by the Securities and Exchange Commission, Euronext Paris, Applicable Law or any rules of any self-regulatory organisation and any stock exchange on which the securities of any member of the Sellers' Group or member of the Purchaser's Group (as the case may be) are listed.

14.6 Nothing in clauses 14.1 to 14.3 shall prevent any confidential information from being disclosed to the extent:

- (a) required to enable any person to enforce its rights under any Transaction Document or for the purpose of any judicial proceedings;
- (b) that the information is disclosed on a strictly confidential basis by a person to its professional advisers (including investment bankers) or auditors;
- (c) that the information is disclosed by the Sellers on a strictly confidential and need to know basis to another member of the Sellers' Group or by the Purchaser on a strictly confidential and need to know basis to another member of the Purchaser's Group;
- (d) that the information is in or comes into the public domain without any breach of this Agreement; or
- (e) that disclosure is reasonably necessary in order to manage the Tax affairs of any member of the Sellers' Group or any member of the Purchaser's Group respectively.

- 14.7 With effect from Completion, the Purchaser shall be released from its obligations under the confidentiality agreement dated 9 February 2015 between the Sellers' Guarantor and the Purchaser, except in relation to any antecedent breach. Pending Completion, if there is a conflict between the terms of that agreement and the terms of this Agreement, the provisions of this Agreement shall prevail.
15. **GUARANTEE BY SELLERS' GUARANTOR**
- 15.1 The Sellers' Guarantor unconditionally and irrevocably:
- (a) guarantees to the Purchaser the payment when due of all amounts payable by each Seller under or pursuant to this Agreement and the other Transaction Documents;
 - (b) undertakes to ensure that each Seller will perform when due all its obligations under or pursuant to this Agreement and the other Transaction Documents;
 - (c) agrees that if and each time that a Seller fails to make any payment when it is due under or pursuant to this Agreement or any other Transaction Document, the Sellers' Guarantor must on demand (without requiring the Purchaser first to take steps against a Seller or any other person) pay that amount to the Purchaser as if it were the principal obligor in respect of that amount; and
 - (d) agrees as principal debtor and primary obligor to indemnify the Purchaser against all losses and damages sustained by it flowing from any non-payment or default of any kind by each of the Sellers under or pursuant to this Agreement or any other Transaction Document.
- 15.2 The Sellers' Guarantor's obligations under this Agreement shall not be affected by any matter or thing which but for this provision might operate to affect or prejudice those obligations, including without limitation:
- (a) any time or indulgence granted to, or composition with, a Seller or any other person;
 - (b) the taking, variation, renewal or release of, or neglect to perfect or enforce this Agreement, any other Transaction Document or any right, guarantee, remedy or security from or against a Seller or any other person;
 - (c) any unenforceability or invalidity of any obligation of any of the Sellers, so that this Agreement shall be construed as if there were no such unenforceability or invalidity; or
 - (d) any assignment by any Seller of its rights or obligations under this Agreement or any assignment by the Purchaser of its rights or obligations hereunder, in each case in accordance with clause 17.
- 15.3 Until all amounts which may be or become payable under this Agreement and the other Transaction Documents have been irrevocably paid in full, the Sellers' Guarantor shall

not as a result of this Agreement or any payment or performance under this Agreement be subrogated to any right or security of the Purchaser or claim or prove in competition with the Purchaser against a Seller or any other person or claim any right of contribution, set-off or indemnity.

- 15.4 The Sellers' Guarantor will not take or hold any security from any Seller in respect of this Agreement and any such security which is held in breach of this provision will be held by the Sellers' Guarantor in trust for the Purchaser.
- 15.5 The Sellers' Guarantor must reimburse the Purchaser for all legal and other costs (including, as an additional amount, any VAT incurred thereon which is not otherwise recoverable by the Purchaser or by any other company in the same group as the Purchaser for VAT purposes), incurred by it in connection with the enforcement of the Sellers' Guarantor's obligations under this Agreement.
- 15.6 The Sellers' Guarantor warrants to the Purchaser that as of the Offer Date and at the Completion Date it is a corporation validly existing under the laws of the State of Delaware and it has the power to execute and deliver this Agreement, and each of the other Transaction Documents to which it is or will be a party, and to perform its obligations under each of them and has taken all action necessary (including, without limitation, procuring board approval for the Transaction Documents to which it is a party and the transactions contemplated therein) to authorise such execution and delivery and the performance of such obligations.

16. **NOTICES**

- 16.1 All notices, requests, demands, waivers and other communications required or permitted to be given or made under this Agreement shall be in writing and shall be deemed to have been duly given or made (and shall be deemed to have been duly given or made upon receipt) if:

- (a) delivered personally;
- (b) mailed by certified or registered mail (postage prepaid, return receipt requested); or
- (c) sent by facsimile or email with receipt confirmed (followed by delivery of an original via overnight courier service),

as follows (or at such other address for a party as shall be specified by like notice):

- (i) to the Sellers and the Sellers' Guarantor at:

Genworth Financial, Inc.
6620 W. Broad Street
Richmond, Virginia 23230

Fax: (804) 662-2414

marked for the attention of Ward Bobitz,

Email: ward.bobitz@genworth.com,

with a copy to (which copy shall not constitute notice) the Sellers' Solicitors at:

Sidley Austin LLP
Woolgate Exchange
25 Basinghall Street
London EC2V 5HA

and

Sidley Austin LLP
One South Dearborn
Chicago, IL 60603

marked for the attention of Stephen Blackshaw, Martin Membery, Perry Shwachman and Sean Carney,

Email: sblackshaw@sidley.com, mmembery@sidley.com,
pshwachman@sidley.com and scarney@sidley.com;

(ii) to the Purchaser at:

21, avenue Matignon
75008 Paris
France

Fax: +33 156 699275

marked for the attention of Helen Browne,

Email: helen.browne@axa.com.

with a copy to (which copy shall not constitute notice) the Purchaser's Solicitors at:

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

marked for the attention of Katherine Coates,

Email: Katherine.coates@cliffordchance.com.

16.2 This clause shall not apply in relation to the service of any claim form, notice, order, judgment or other document relating to or in connection with any proceedings, suit or action arising out of or in connection with this Agreement.

17. **ASSIGNMENTS**

Except as provided below, at any time prior to Completion, neither the Sellers, the Sellers' Guarantor nor the Purchaser may assign or transfer any rights or obligations under this Agreement without the prior written consent of the other parties hereto. Following Completion, the Purchaser may assign or transfer any of its rights or obligations under this Agreement to any Purchaser's Group Company without the prior consent of the Sellers, provided that no assignment shall be effective to limit the Purchaser's obligations hereunder. Any of the Sellers (but not the Sellers' Guarantor) may without the further consent of the Purchaser, transfer any of their respective rights or obligations under this Agreement to any other Sellers' Group Company at the time, or in contemplation, of the winding-up or other dissolution of such transferring Seller, but not otherwise. The Purchaser hereby consents to any such transfer of the rights and obligations of any Seller under this Agreement, provided that the assignee enters into a deed of novation undertaking to the relevant Seller and the Purchaser to comply with such assigned obligations. No transfer of a Seller's rights or obligations pursuant to this clause 17 shall be effective to transfer or limit the Sellers' Guarantor's obligations hereunder.

18. **PAYMENTS AND CURRENCY CONVERSION**

18.1 Unless otherwise expressly stated (or as otherwise agreed in the case of a given payment), each payment to be made to the Sellers or the Purchaser under this Agreement shall be made in USD, except for the payment of the Consideration, which shall be made in EUR, by transfer of the relevant amount into the relevant account on the date (and, if applicable, at or before the time) the payment is due for value on that date and in immediately available funds.

18.2 The relevant account for a given payment is, if that payment is to the Sellers, such account(s) in the name of the relevant Seller or Sellers as the Sellers shall, not less than three (3) Business Days before the date that payment is due, have specified by giving written notice to the Purchaser for the purpose of that payment and, if that payment is to the Purchaser, such account in the name of the Purchaser as the Purchaser shall, not less than three (3) Business Days before the date that payment is due, have specified by giving written notice to the Sellers for the purpose of that payment.

18.3 If a party defaults in making any payment when due of any sum payable under this Agreement it shall pay interest on that sum from (and including) the date on which payment is due until (but excluding) the date of actual payment (after as well as before judgment) at an annual rate of 5 per cent. per annum above the three (3) month LIBOR rate in effect on the date on which such payment was due, as reported in the Wall Street Journal, which interest shall accrue from day to day and be compounded monthly.

- 18.4 If a party is required by law to make a deduction or withholding in respect of any sum (other than the Consideration, except where such deduction or withholding is an obligation arising under or in connection with French Tax law) payable under this Agreement, that party shall, at the same time as the sum which is the subject of the deduction or withholding is payable, make a payment to the relevant party of such additional amount as shall be required to ensure that the net amount received or retained by that relevant party will equal the full amount which would have been received or retained by it had no such deduction or withholding been required to be made.
- 18.5 If any sum payable by a party under this Agreement (other than the Consideration or interest under clause 18.3) shall be subject to Taxation in the hands of the receiving party, the paying party shall be under the same obligation, as under clause 18.4 above, to pay an additional amount in relation to that Taxation as if the liability were a deduction of withholding required by law.
- 18.6 To the extent that any deduction, withholding or Tax in respect of which an additional amount has been paid under clauses 18.4 or 18.5 above results in the payee obtaining a Relief (as defined in the Tax Covenant) (all reasonable endeavours having been used to obtain such Relief), the payee shall pay to the payer, within ten (10) Business Days of obtaining the benefit of the Relief, an amount equal to the lesser of the amount of the actual cash Tax saving from the utilisation of such Relief obtained and the additional sum paid under clause 18.4 or 18.5 (the "**Withholding Relief**"). The payee shall only be obliged to account to payer for the Withholding Relief to the extent that the payer is satisfied that such accounting will not: (a) prejudice any of the entitlement of the payee to the relief; nor (b) result in the loss, reduction or non-availability of the actual cash Tax saving obtained by the payee from the utilisation of such Relief.
- 18.7 If an assignment is made in accordance with clause 17 of this Agreement, the liability of the payer under clauses 18.4 and 18.5 above shall be no greater than such liabilities would have been if the assignment had not occurred.
- 18.8 Any amount to be converted from one currency into another currency for the purposes of this Agreement (other than the Consideration or interest under clause 18.3) shall be converted into an equivalent amount at the Conversion Rate prevailing at the Applicable Date.
- 18.9 Where any payment is due to the Sellers under this Agreement, the Sellers shall be entitled to direct (by written notice signed by Genworth) the Purchaser to make such payment to such Seller or Sellers or such other entity as may otherwise be agreed with the Purchaser, and in such amount or amounts, as the Sellers may (in their sole discretion) require and any payment made in accordance with such direction shall satisfy the Purchasers' obligations hereunder with respect to such amount against all of the Sellers.
19. **GENERAL**
- 19.1 The receipt by the Purchaser's Solicitors of any document to be delivered at Completion to the Purchaser shall discharge the Sellers' obligation to deliver it to the Purchaser.

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- 19.2 The receipt by the Sellers' Solicitors of any document to be delivered at Completion to the Seller shall discharge the Purchaser's obligation to deliver it to the Seller.
- 19.3 Each of the obligations, warranties and undertakings set out in this Agreement (excluding any obligation which is fully performed at Completion) shall continue in force after Completion and shall not be affected by the waiver of any condition or any notice given by the Purchaser in respect of any condition.
- 19.4 The provisions contained in each clause and subclause of this Agreement shall be enforceable independently of each of the others and their validity shall not be affected if any of the others are invalid. If any of those provisions is void but would be valid if some part of the provision were deleted, the provision in question shall apply with such modification as may be necessary to make it valid.
- 19.5 All of the warranties contained in this Agreement shall survive the consummation of the transactions contemplated by this Agreement until the expiry of the period for making claims for breach of such warranties under this Agreement (at which time such warranties shall terminate). Any covenant or agreement contained in this Agreement shall survive for the period provided in such covenant or agreement, if any, or, otherwise, until fully performed.
- 19.6 Time is not of the essence in relation to any obligation under this Agreement unless:
- (a) time is expressly stated to be of the essence in relation to that obligation; or
 - (b) one party fails to perform an obligation by the time specified in this Agreement and another party/the other party serves a notice on the defaulting party requiring it to perform the obligation by a specified time and stating that time is of the essence in relation to that obligation.
- 19.7 Except as otherwise expressly provided in this Agreement, each party shall pay the costs and expenses incurred by it in connection with the entering into and completion of this Agreement.
- 19.8 This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same Agreement, and any party (including any duly authorised representative of a party) may enter into this Agreement by executing a counterpart.
- 19.9 The rights of each party under this Agreement:
- (a) may be exercised as often as necessary;
 - (b) except as otherwise expressly provided by this Agreement, are cumulative and not exclusive of rights and remedies provided by law; and
 - (c) may be waived only in writing and specifically.

Delay in exercising or non exercise of any such right is not a waiver of that right.

19.10 Except as expressly stated in this Agreement, a person who is not a party to this Agreement may not enforce any of its terms under the UK Contracts (Rights of Third Parties) Act 1999.

19.11 A variation of this Agreement is valid only if it is in writing and signed by or on behalf of each party. The parties to this Agreement do not require the consent of any person having a right under the UK Contracts (Rights of Third Parties) Act 1999 to rescind or vary this Agreement.

20. **WHOLE AGREEMENT**

20.1 This Agreement and the other Transaction Documents contain the whole agreement between the parties relating to the transactions contemplated by the Transaction Documents and supersede all previous agreements, whether oral or in writing, between the parties relating to these transactions, provided that, the confidentiality agreement between the Sellers' Guarantor and the Purchaser dated 9 February 2015 shall remain in full force and effect to the extent required under clause 14.7 above. Except as required by statute, no terms shall be implied (whether by custom, usage or otherwise) into this Agreement.

20.2 Each party:

- (a) acknowledges that in agreeing to enter into this Agreement and the other Transaction Documents it has not relied on any express or implied representation, warranty, collateral contract or other assurance made by or on behalf of any other party before the entering into of this Agreement which is not set out in the Irrevocable Offer or this Agreement;
- (b) waives all rights and remedies which, but for this clause 20.2, might otherwise be available to it in respect of any such express or implied representation, warranty, collateral contract or other assurance; and
- (c) acknowledges and agrees that no such express or implied representation, warranty, collateral contract or other assurance may form the basis of, or be pleaded in connection with, any claim made by it under or in connection with this Agreement which is not set out in the Transaction Documents.

20.3 The Purchaser acknowledges and agrees that unless otherwise expressly set out in this Agreement its sole remedy for any Claim shall be damages, and any and all additional remedies which may otherwise be available to the Purchaser are hereby excluded to the fullest extent permitted by Applicable Law.

20.4 Nothing in this clause limits or excludes any liability for fraud.

21. **GOVERNING LAW AND JURISDICTION**

- 21.1 This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by English law.
- 21.2 The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute relating to any non-contractual obligations arising out of or in connection with this Agreement) and the parties submit to the exclusive jurisdiction of the English courts.
- 21.3 Each of the Sellers and the Sellers' Guarantor irrevocably appoints Orangefield Registrars Limited of Ground Floor, Martin House, 5 Martin Lane, London EC4R 0DP as its agent in England for service of process in any legal action or proceeding arising out of this Agreement.
- 21.4 The Purchaser irrevocably appoints AXA UK plc of 5 Old Broad Street, London EC2N 1AD, England (marked for the attention of Company Secretary, Jeremy Small) as its agent in England for service of process in any legal action or proceeding arising out of this Agreement.
- 21.5 The Purchaser agrees to inform the Sellers and the Sellers agree to inform the Purchaser in writing of any change of address of such process agent within fourteen (14) days of such change.
- 21.6 If the Sellers' or the Purchaser's process agent ceases to be able to act as such or to have an address in England and Wales, the relevant Party(ies) irrevocably agrees to appoint a new process agent in England and Wales acceptable to the other Party(ies) and to deliver to the other Party(ies) within fourteen (14) days a copy of a written acceptance of appointment by the process agent.
- 21.7 The parties waive any objection to the English courts on grounds that they are an inconvenient or inappropriate forum to settle any such dispute.
- 21.8 Each party irrevocably and unconditionally waives, to the fullest extent permitted by Applicable Law, any right it may have to a trial by jury in any legal action or proceeding arising, directly or indirectly, out of or relating to this Agreement or the transactions contemplated by it and for any counterclaim therein (in each case whether based on contract, tort or any other theory and whether predicated on common law, statute or otherwise). Each party (a) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver, and (b) acknowledges that it and the other parties have been induced to enter into this Agreement by, amongst other things, the mutual waivers and certifications in this clause.

22. **LANGUAGE**

The language of this Agreement and the transactions envisaged by it is English and all notices to be given in connection with this Agreement must be in English. All demands,

requests, statements, certificates or other documents or communications to be provided in connection with this Agreement and the transactions envisaged by it must be in English or accompanied by a certified English translation; in this case the English translation prevails unless the document or communication is a statutory or other official document or communication.

AS WITNESS this Agreement has been signed by the parties (or their duly authorised representatives) on the date stated at the beginning of this Agreement.

SCHEDULE 1
PARTICULARS OF THE SELLERS' SHAREHOLDINGS IN THE COMPANIES

The particulars set forth below shall not be untrue as a result of any Seller taking or causing to be taken any action set out in Schedule 13.

Genworth Financial European Group Holdings Limited:

<u>Seller's name</u>	<u>Number of GFEGH Shares</u>	<u>Percentage of company</u>
Brookfield Life and Annuity Insurance Company Limited	289,199,235	95.80%
European Group Financing Company Limited	12,675,850	4.20%

Financial Insurance Guernsey PCC Limited:

<u>Seller's name</u>	<u>Number of FIG Shares</u>	<u>Percentage of company</u>
Genworth Financial International Holdings, Inc. and certain of its affiliates	792,000 core shares 1 nominal share 2,429 cell shares	100%

Genworth Consulting Services (Beijing) Limited:

<u>Seller's name</u>	<u>Amount of GCSB Share Capital</u>	<u>Percentage of company</u>
Brookfield Life and Annuity Insurance Company Limited	USD 365,000	100%

Genworth General Services Asia Limited:

<u>Seller's name</u>	<u>Number of GGSA Shares</u>	<u>Percentage of company</u>
Brookfield Life and Annuity Insurance Company Limited	3,200,001	100%

CFI Administrators Limited:

<u>Seller's name</u>	<u>Number of CFI Shares</u>	<u>Percentage of company</u>
Brookfield Life and Annuity Insurance Company Limited	350,002	100%

SCHEDULE 2
PARTICULARS OF THE COMPANIES AND SUBSIDIARIES

Part I – THE COMPANIES

Name: Genworth Financial European Group Holdings Limited
Incorporated: England
Registered No.: 04914698
Issued Share Capital: GBP 301,875,085.00 comprising 301,875,085 ordinary shares of nominal value GBP 1.00
Shareholders: EGF; BLAIC
Accounting Reference Date: 31 December

Name: Financial Insurance Guernsey PCC Limited
Incorporated: Guernsey
Registered No.: 40361
Issued Share Capital: In relation to core shares:
GBP 792,000 comprising 792,000 shares of nominal value GBP 1.00
In relation to nominal shares:
GBP 0.01 comprising 1 share of nominal value GBP 0.01

In relation to share capital by cell (all amounts in GBP):

Cell	Cell Shares	Share Capital
2483-FIG Cell South Korea Life	1	0
2463-FIG PCC Ltd-Euro Life Cell	2	3,038,175
2471-FIG PCC Ltd-Ster Life-UK	1,402	1,650,000
2477-FIG PCC Ltd - PLN Life - PL	1,001	1,250,000
2484-FIG Portugal Life	2	1,992,585
2482-FIG Cell South Korea General	1	0
2462-FIG PCC Ltd-Euro General Cell	1	0
2465-FIG PCC Ltd - USD Gen - CA	1	0
2467-FIG PCC Ltd-Euro Gen	6	2,300,000
2472-FIG PCC Ltd-Ster Gen-UK	2	250,000
2474-FIG PCC Ltd-PT Cell	1	0
2476-FIG PCC Ltd - NOK Gen - NO	4	1,000,000
2478-FIG PCC Ltd - PLN Gen - PL	1	0
2480-FIG PCC Ltd - SEK Gen - SE	1	0
2485-Cell LICL Swiss	1	0
2470-FIG PCC Ltd - DK Gen	1	0
2464-Financial Insurance Guernsey PCC - RRT Gen Cell (EUR) - GB	1	0

Shareholder: Genworth and certain of its affiliates

Accounting Reference Date: 31 December

Name: Genworth Consulting Services (Beijing) Limited

Incorporated: Peoples Republic of China

Registered No.: 110000450202335

Registered Share Capital: USD 365,000.000

Shareholder: BLAIC

Accounting Reference Date: 31 December
Name: Genworth General Services Asia Limited
Incorporated: Hong Kong
Registered No.: 1703805
Issued Share Capital: HKD 3,200,001 comprising 3,200,001 shares of nominal value HKD 1.00
Shareholder: BLAIC
Accounting Reference Date: 31 December
Name: CFI Administrators Limited
Incorporated: Ireland
Registered No.: 266236
Issued Share Capital: EUR 444,502.54 comprising 350,002 ordinary shares of nominal value EUR 1.27
Shareholder: BLAIC
Accounting Reference Date: 31 December

Part II – THE SUBSIDIARIES

Subsidiaries of Genworth Financial European Group Holdings Limited:

Name:	F.I.G. (Ireland) Limited
Incorporated:	Ireland
Registered No.:	111216
Issued Share Capital:	EUR 444,408.30 comprising 350,000 shares of nominal value EUR 1.269738
Accounting Reference Date:	31 December
Name:	Worldcover Direct Limited
Incorporated:	England
Registered No.:	02704078
Issued Share Capital:	GBP 100.00 comprising 200 ordinary shares of nominal value GBP 0.50
Accounting Reference Date:	31 December
Name:	Genworth Financial UK Finance Limited
Incorporated:	England
Registered No.:	04930456
Issued Share Capital:	GBP 2.00 comprising 2 ordinary shares of nominal value GBP 1.00
Accounting Reference Date:	31 December
Name:	Genworth Financial UK Holdings Limited
Incorporated:	England
Registered No.:	04914933
Issued Share Capital:	GBP 69,199,235.00 comprising 69,199,235 ordinary shares of nominal value GBP 1.00
Accounting Reference Date:	31 December

Name: Genworth Operaciones, S. de R.L. de C.V.
Incorporated: Mexico
Registered No.: Registered with the Mexico City Public Commerce Register with registration number 402961-1
Issued Share Capital: MXN 27,950,000.00 comprising 50.00 shares of fixed capital and 27,950 shares of variable capital, each of nominal value MXN 1,000
Accounting Reference Date: 31 December

Name: Financial Insurance Group Services Limited
Incorporated: England
Registered No.: 01670707
Branches Czech Republic, Germany, Hungary, Ireland, Netherlands, Greece, Slovakia, Norway, Poland, Italy, Belgium and Sweden
Issued Share Capital: GBP 22,214,328.00 comprising 22,214,328 ordinary shares of nominal value GBP 1.00
Accounting Reference Date: 31 December

Name: Genworth Operaciones Colombia SAS
Incorporated: Colombia
Registered No.: 02054891
Issued Share Capital: COP 309,403,500.00 comprising 30,940,350 shares of COP 10.00
Accounting Reference Date: 31 December

Name: Financial Insurance Company Limited – Escritório De Representação No Brasil Ltda.
Incorporated: Brazil
Registered No.: 20.936.501/0001-91
Issued Share Capital: BRL 100,000.00

Accounting Reference Date: 31 December
Name: Financial Assurance Company Limited
Incorporated: England
Registered No.: 04873014
Branches: Denmark, Finland, France, Germany, Ireland, Italy, Norway, Portugal, Spain, Sweden and Switzerland
Issued Share Capital: GBP 98,152,471.00 comprising 98,152,471 ordinary shares of nominal value GBP 1.00
Accounting Reference Date: 31 December
Name: Consolidated Insurance Group Limited
Incorporated: England
Registered in No.: 01870149
Issued Share Capital: GBP 135,012,929.00 comprising 135,012,929 ordinary shares of nominal value GBP 1.00
Accounting Reference Date: 31 December
Name: Financial Insurance Company Limited
Incorporated: England
Registered No.: 01515187
Branches: Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden and Switzerland
Issued Share Capital: GBP 168,993,345.00 comprising 168,993,345 ordinary shares of nominal value GBP 1.00
Accounting Reference Date: 31 December
Name: Genworth Brazil Serviços de Apoio à Atividade Seguradora e Resseguradora Ltda.
Incorporated: Brazil
Registered No.: 18.148.931/0001-05

Issued Share Capital:	BRL 1,800,000.00 comprising 1,800,000 shares of nominal value BRL 1.00
Accounting Reference Date:	31 December
Name:	Genworth Finansal Hizmetler Anonim Şirketi
Incorporated:	Turkey
Registered No.:	607180
Issued Share Capital:	TRY 378,000
Accounting Reference Date:	31 December
Name:	Financial Assurance Company Limited Escritório De Representação No Brasil Ltda
Incorporated:	Brazil
Registered No.:	20.959.274/0001-10
Issued Share Capital:	BRL 100,000.00
Accounting Reference Date:	31 December

Part III – DIRECTORS AND REGISTERED OFFICES

Name: Genworth Financial European Group Holdings Limited
Directors: Bob Brannock, Jeff Whiteus, Paul Caprez
Registered Office: Building 11 Chiswick Park, 566 Chiswick High Road, Chiswick, London, W4 5XR, UK

Name: Financial Insurance Guernsey PCC Limited
Directors: James Rember, Jeff Whiteus, David Moore, Roger Hall, Stuart Brown
Registered Office: Maison Trinity, Trinity Square, St Peter Port, Guernsey, GY 4AT

Name: Genworth Consulting Services (Beijing) Limited
Directors: Jeff Whiteus, Andrew Flaherty, Claudia Agostinis
Registered Office: Room 1151, 11th Floor, No. 1 Guanghai Road, Chaoyang District, Beijing, PRC

Name: Genworth General Services Asia Limited
Directors: Jeff Whiteus, Kevin Fleming, Andrew Flaherty
Registered Office: 4th Floor, VC House, 4-6 On Lan Street, Central, Hong Kong

Name: CFI Administrators Limited
Directors: Bob Brannock, Andrew Flaherty, Jeff Whiteus
Registered Office: 70 Sir John Rogerson's Quay, Dublin 2, Ireland

Name: F.I.G. (Ireland) Limited
Directors: Bob Brannock, Andrew Flaherty, Jeff Whiteus
Registered Office: 70 Sir John Rogerson's Quay, Dublin 2, Ireland

Name: Worldcover Direct Limited
Directors: Bob Brannock, Jeff Whiteus

Registered Office: Building 11, Chiswick Park, 566 Chiswick High Road, Chiswick, London, W4 5XR, UK
Name: Genworth Financial UK Finance Limited
Directors: Bob Brannock, Jeff Whiteus

Registered Office: Building 11, Chiswick Park, 566 Chiswick High Road, Chiswick, London, W4, 5XR, UK
Name: Genworth Financial UK Holdings Limited
Directors: Bob Brannock, Jeff Whiteus, Paul Caprez

Registered Office: Building 11, Chiswick Park, 566 Chiswick High Road, London, W4 5XR, UK
Name: Genworth Operaciones, S. de R.L. de C.V.
Directors: Paulette Monter, Guillermina Delgado, Alberto Cruz, Jeff Whiteus

Registered Office: Avenida Antonio Dovali Jaime No. 70, Torre A, Piso 9, Colonia Santa Fe, Delegacion Alvaro Obregon, 01210, Mexico City
Name: Financial Insurance Group Services Limited
Directors: Bob Brannock, Jeff Whiteus, James Rember, Angel Mas

Registered Office: Building 11, Chiswick Park, 566 Chiswick High Road, London, W4 5XR, UK
Name: Genworth Operaciones Colombia SAS
Directors: Jeff Whiteus, Luis Marques, Andres Ochoa

Registered Office: Calle 99 No. 9a-80, Oficina 803 Bogotá, Colombia
Name: Financial Insurance Company Limited – Escritório De Representação No Brasil Ltda.
Directors: Roberto Shimizu

Registered Office: Avenida Roque Petroni Júnior, 999, Jardim das Acácias, 13 Andar - V02, São Paulo CEP:04707-000
Name: Financial Assurance Company Limited

Directors: Bob Brannock, Jeff Whiteus, Peter Barrett, John Sinclair, Roger Marshall, Mario Montes, Jan Kvarnstrom, Leon Roday
Registered Office: Building 11, Chiswick Park, 566 Chiswick High Road, Chiswick, London, W4 5XR, UK
Name: Consolidated Insurance Group Limited

Directors: Bob Brannock, Jeff Whiteus
Registered Office: Building 11, Chiswick Park, 566 Chiswick High Road, London, W4 5XR, UK
Name: Financial Insurance Company Limited

Directors: Mario Montes, Roger Marshall, John Sinclair, Jan Kvarnstrom, Leon Roday, Peter Barrett, Jeff Whiteus, Bob Brannock
Registered Office: Building 11, Chiswick Park, 566 Chiswick High Road, London, W4 5XR
Name: Genworth Brazil Serviços de Apoio à Atividade Seguradora e Resseguradora Ltda.
Directors: Luis Marques
Registered Office: Avenida Roque Petroni Júnior, 999, Brooklin, 13 Andan V01, CEP:04707-910, São Paulo
Name: Genworth Finansal Hizmetler Anonim Şirketi

Directors: Jeff Whiteus, James Rember, Bob Brannock, Tolga Ceylantepe
Registered Office: Floor A, Is Kuleleri Kule 2, Asma Kat, 34330, 4 Levent, Beşiktaş Istanbul, Turkey
Name: Financial Assurance Company Limited Escritório De Representação No Brasil Ltda
Directors: Roberto Shimizu
Registered Office: Avenida Petroni Júnior, 999, Morumbi Office Tower, 13 andar-V02-parte, Jardim das Acácias, S.P. CEP 04707-000, São Paulo

SCHEDULE 3
CONDITIONS PRECEDENT

Completion is conditional on:

1. the Purchaser having obtained the Financial Regulatory Authority Approvals and the Antitrust Authority Approvals as set out in the tables below, without the imposition of an Unreasonable Condition; and
2. with respect to the Sellers:
 - (a) the Sellers having completed the reorganization of the Cayman Loan Notes identified in paragraph 1 of Schedule 13, the transfer of CFI Pensions Trustees Limited in accordance with paragraph 2 of Schedule 13 and the transfer of Genworth Seguros Daños, S.A. de C.V. in accordance with paragraph 5(a) of Schedule 13; and
 - (b) the Fundamental Warranties being true and accurate immediately prior to Completion, provided that no such Fundamental Warranty shall be deemed untrue or inaccurate solely as a result of any Seller taking or causing to be taken any action as set out on Schedule 13 or any consequence thereof.

Financial Regulatory Authority Approvals

<u>Jurisdiction</u>	<u>Entity</u>	<u>Financial Regulatory Authority</u>	<u>Approvals Required</u>
Guernsey	Financial Insurance Guernsey PCC Limited	Guernsey Financial Services Commission (“GFSC”)	Written notice of no objection to be obtained from the GFSC by the new controller in advance of the Completion of the Transaction. Financial Insurance Guernsey PCC Limited must also obtain GFSC approval to the change in control.
UK	Financial Assurance Company Limited	PRA	the PRA: (a) having given notice in writing that it has determined to approve the transactions contemplated by this Agreement for the purpose of section 189(4)(a) of the FSMA;

<u>Jurisdiction</u>	<u>Entity</u>	<u>Financial Regulatory Authority</u>	<u>Approvals Required</u>
UK	Financial Insurance Company Limited	PRA	<p>(b) having given notice in writing that it has determined to approve the transactions contemplated by this Agreement subject to conditions for the purpose of section 189(7) of FSMA (provided such condition is not an Unreasonable Condition); or</p> <p>(c) being treated as having approved the transactions contemplated by this Agreement by virtue of section 189(6) of FSMA);</p> <p>the PRA:</p> <p>(a) having given notice in writing that it has determined to approve the transactions contemplated by this Agreement for the purpose of section 189(4)(a) of FSMA;</p> <p>(b) having given notice in writing that it has determined to approve the transactions contemplated by this Agreement subject to conditions for the purpose of section 189(7) of FSMA (provided such condition is not an Unreasonable Condition); or</p> <p>(c) being treated as having approved the transactions contemplated by this Agreement by virtue of section 189(6) of FSMA);</p>

<u>Jurisdiction</u>	<u>Entity</u>	<u>Financial Regulatory Authority</u>	<u>Approvals Required</u>
UK	FIGSL	FCA	<p>the FCA:</p> <ul style="list-style-type: none"> (a) having given notice in writing that it has determined to approve the transactions contemplated by this Agreement for the purpose of section 189(4)(a) of FSMA; (b) having given notice in writing that it has determined to approve the transactions contemplated by this Agreement subject to conditions for the purpose of section 189(7) of FSMA (provided such condition is not an Unreasonable Condition); or (c) being treated as having approved the transactions contemplated by this Agreement by virtue of section 189(6) of FSMA).

Antitrust Authority Approvals

<u>Jurisdiction</u>	<u>Competition Authority</u>	<u>Approvals Required</u>
European Economic Area	European Commission	<p>To the extent that the Transaction either constitutes (or is deemed to constitute under Article 4(5)) a concentration falling within the scope of the EU Merger Regulation or is to be examined by the European Commission as a result of a decision under Article 22(3) of the EU Merger Regulation;</p> <ul style="list-style-type: none"> (a) the European Commission taking a decision (or being deemed to have taken a decision) under the EU Merger Regulation declaring the Transaction compatible with the internal market, without imposing any Unreasonable Condition; or (b) the European Commission taking a decision (or being deemed to have taken a decision) to refer the whole or part of the Transaction to the competent authorities of one or more Member States under Articles 4(4) or 9(3) of the EU Merger Regulation; and <ul style="list-style-type: none"> (i) each such authority taking a decision with equivalent effect to (a) above with respect to those parts of the Transaction referred to it; and (ii) the European Commission taking any of the decisions under (a) above with respect to any part of the Transaction retained by it

SCHEDULE 4
SELLERS' WARRANTIES

1. SELLERS' INDIVIDUAL WARRANTIES

1.1 Incorporation and capacity of Sellers

- (a) BLAIC is a company validly existing under the laws of Bermuda and it has the power to execute and deliver this Agreement, and each of the other Transaction Documents to which it is or will be a party, and to perform its obligations under each of them, and has taken all action necessary (including, without limitation, procuring board approval for the Transaction Documents to which it is a party and the transactions contemplated therein) to authorise such execution and delivery and the performance of such obligations.
- (b) EGF is a company validly existing under the laws of the Cayman Islands and it has the power to execute and deliver this Agreement, and each of the other Transaction Documents to which it is or will be a party, and to perform its obligations under each of them, and has taken all action necessary (including, without limitation, procuring board approval for the Transaction Documents to which it is a party and the transactions contemplated therein) to authorise such execution and delivery and the performance of such obligations.
- (c) Genworth is a corporation validly existing under the laws of the State of Delaware and it has the power to execute and deliver this Agreement, and each of the other Transaction Documents to which it is or will be a party, and to perform its obligations under each of them, and has taken all action necessary (including, without limitation, procuring board approval for the Transaction Documents to which it is a party and the transactions contemplated therein) to authorise such execution and delivery and the performance of such obligations.

1.2 Valid obligations

- (a) This Agreement constitutes, and each of the other Transaction Documents to which it is or will be a party constitute or will, when executed by the Seller, constitute valid and binding obligations of the Seller in accordance with its terms.
- (b) The execution, delivery and performance by the Seller of the Transaction Documents to which it is a party will not result in a breach by it of or constitute a default under any provision of the articles of association or equivalent constitutional documents of the Seller or any Target Group Company.

2. GENERAL

2.1 Recitals and schedules

- (a) The particulars relating to each Target Group Company set out in Part I and Part II of Schedule 2 to this Agreement are true and accurate in all material respects (i)

as of the Offer Date and (ii) as of the date of delivery thereof and as at the Completion Date with respect to and taking account of any amendments thereto delivered to the Purchaser pursuant to clause 4.7.

- (b) The particulars relating to each Target Group Company set out in Part III of Schedule 2 to this Agreement are true and correct in all material respects (i) as of the Offer Date and (ii) as of the date of delivery thereof with respect to any amendments thereto delivered to the Purchaser pursuant to clause 4.7.

2.2 **Incorporation of the Companies**

Each Target Group Company is validly existing under the laws of their jurisdiction of incorporation with the power and authority to conduct their business as presently conducted.

2.3 **Constitutional Documents**

- (a) The constitutional documents of each Target Group Company which are required to be maintained by the Target Group Companies under the laws of the relevant Target Group Company's jurisdiction of incorporation have, since the Relevant Date, been properly kept and are up to date and, so far as the Sellers are aware, the Target Group Companies have not, since the Relevant Date, received a written notice or allegation that any of them is incorrect or should be rectified.
- (b) The constitutional documents contained in folders 5.1.1, 5.1.2 and 5.1.3 of the Data Room are true, accurate and complete copies of the constitutional documents of the Target Group Companies as at the Offer Date.

2.4 **Filings and consents**

Other than as contemplated by this Agreement:

- (a) no material notices, reports or filings are required to be made by the Sellers with any Governmental Authority or Regulatory Authority in connection with the Transaction; and
- (b) no material consents, approvals, registrations, authorisations or permits are required to be obtained by the Sellers from any Governmental Authority or Regulatory Authority in connection with the execution and performance of this Agreement.

2.5 **Accounts**

- (a) The Audited Accounts give a true and fair view of each Insurance Company's and FIGSL's affairs as at the Accounts Date and have been properly prepared in accordance with generally accepted accounting principles in the United Kingdom, Ireland and Guernsey (as applicable) (together with US GAAP, "**Applicable GAAP**") and the requirements of the Companies Act of 2006.

- (b) The Unaudited Accounts have been prepared in accordance with the 2014 Agreed Accounting Principles.
- (c) The Audited Accounts present a true and fair view of the assets and liabilities and the financial position of the relevant Target Group Company as at the Accounts Date and of the profits and losses of the relevant Target Group Company for the financial year ended on the Accounts Date.
- (d) The Unaudited Accounts present fairly, in all material respects, the consolidated financial position, results of operations and changes in stockholders' equity of the Target Group Companies as of the Accounts Date and for the annual period ending on the Accounts Date, subject to the 2014 Agreed Accounting Principles.
- (e) The Audited Accounts have been prepared on a basis consistent, in all material respects, with the basis employed in such accounts for the three immediately preceding annual financial periods.
- (f) The Audited Accounts have not (except as Fairly Disclosed in the Disclosure Letter) been affected by any exceptional item (as the term is applied under generally accepted accounting principles in the United Kingdom).
- (g) All books of account, ledgers and all other accounting or financial records and documents of each Target Group Company that must be maintained by Applicable Law and have been maintained in all material respects in accordance with Applicable Law.

2.6 Sale Shares

- (a) The Sale Shares constitute 100 per cent of the allotted and issued share capital of the Companies, have been properly allotted and issued and are fully paid or credited as fully paid.
- (b) The Sellers are entitled to procure the transfer of the full legal and beneficial ownership in the Sale Shares to the Purchaser on the terms and subject to the conditions set out in this Agreement.
- (c) There is no Encumbrance in relation to any of the Sale Shares or unissued shares in the capital of the Companies.
- (d) Other than this Agreement, there is no agreement, arrangement or obligation requiring the creation, allotment, issue, transfer, redemption or repayment of, or the grant to a person of the right (conditional or not) to require the allotment, issue, transfer, redemption or repayment of, a share in the capital of any of the Companies (including an option or right of pre-emption or conversion).
- (e) Save for those consents required pursuant to clause 3.1, all material consents required under Applicable Law for the transfer of the Sale Shares have been obtained or will be obtained by Completion.

2.7 **Subsidiaries**

- (a) The Companies do not have any subsidiary undertakings other than the Subsidiaries.
- (b) Other than investment assets held in the ordinary course of business, no Target Group Company has any interest in, and has not agreed to acquire an interest in or merge or consolidate with, a corporate body or any other person other than the Subsidiaries.
- (c) Each allotted and issued share in the capital of each of the Subsidiaries is legally and beneficially owned by a Target Group Company alone, has been properly allotted and issued and is fully paid or credited as fully paid.
- (d) There is no Encumbrance in relation to any shares in the capital of any of the Subsidiaries.

2.8 **Position since the Accounts Date**

Since the Accounts Date:

- (a) the business of each Target Group Company has been carried on in the ordinary course;
- (b) except for any dividends provided for in the Accounts, no dividend or other distribution has been declared, paid or made by the Companies;
- (c) the Companies have not repaid, repurchased or reduced any of their issued share capital;
- (d) no share or loan capital (excluding intra-group indebtedness) has been issued or agreed to be issued by the Target Group Companies;
- (e) other than in the ordinary course of business, no Target Group Company:
 - (i) has entered into or agreed to enter into capital expenditure commitments exceeding in total USD 100,000 per item or USD 500,000 in total;
 - (ii) has acquired or disposed of, or agreed to acquire or dispose of, an asset included in the Accounts, or acquired or agreed to be acquired since the Accounts Date, in each case with a net book value in excess of USD 500,000; or
 - (iii) assumed or incurred, or agreed to assume or incur, a liability, obligation or expense (actual or contingent) exceeding USD 100,000 per item or in total USD 500,000;
- (f) no resolution in any general meeting or written resolution of the shareholders of any Target Group Company has been passed other than resolutions relating to routine business or annual general meetings;

- (g) there has been no material adverse change in the financial or trading position of any of the Insurance Companies or FIGSL and the business of each such Target Group Company has not been materially adversely affected by the termination of a Material Contract; and
- (h) no debts of any Target Group Company have been factored or sold.

2.9 **Licences**

- (a) Each Target Group Company has all licences, permissions, authorisations and consents material to the carrying on of the business now carried on by it in the places and in the manner in which that business is now carried on and as carried on at any time since the Relevant Date (the “**Authorisations**”) and all Authorisations are in full force and effect and not subject to material conditions or restrictions, other than generally applicable conditions or restrictions arising under Applicable Law; and
- (b) No Target Group Company has, since the Relevant Date, received written notice that it is in default under any Authorisation which default would result in its revocation or suspension and no Target Group Company has received notice of withdrawal or suspension of any such Authorisation.

2.10 **Compliance with laws**

- (a) No Target Group Company has, since the Relevant Date, received written notice from any Governmental Authority that it or its Distributors are in violation of, or in default with respect to any, Applicable Law of the relevant Target Group Company’s jurisdiction of incorporation or jurisdiction in which it conducts any part of its business through a branch or the provision of services from outside of the jurisdiction.
- (b) Each Target Group Company conducts and since the Relevant Date has at all times conducted its business and operations in material compliance with all Applicable Law and good industry practice.
- (c) Collectively, folders 3.8.7, 6.9, 6.10, 10.1.20 and 10.1.24 in the Data Room contain all material correspondence with Governmental Authorities from the Relevant Date relating to the Target Group and its business and copies of all current insurance regulatory authorisations, licences, permissions, registrations, certificates, approvals or consents required by a Target Group Company for the purposes of the sale, issue or administration of the Insurance Contracts by the relevant Target Group Company or its Distributors.
- (d) Each Target Group Company is and has since the Relevant Date been in compliance with applicable anti money laundering laws, anti-bribery laws and foreign sanction rules and regulations of the jurisdictions in which it operates or to which it is subject, and has instituted and maintained policies and procedures designed to ensure continued compliance by it with such laws, rules and regulations.

2.11 **Regulatory Authorities**

- (a) Each Target Group Company has filed all material reports, data and other information, applications and notices required by Applicable Law to be filed with or otherwise provided to a Governmental Authority (other than a Taxation Authority) since the Relevant Date and no deficiencies material to the operations, financial condition, assets, properties or business prospects of any Target Group Company have been asserted by a Governmental Authority (other than a Taxation Authority) to such Target Group Company with respect to any such reports, data and other information, applications and notices filed with them.
- (b) No Target Group Company nor any of their respective directors or employees has been investigated by a Governmental Authority (other than a Taxation Authority, and in the case of any employee, in connection with any act or omission in the course of his employment with a Target Group Company), resulting in a Governmental Authority (other than a Taxation Authority) imposing any fines, penalty, remedial action or any other Enforcement Action in the last five (5) years exceeding GBP 10,000.
- (c) No Target Group Company has in the last five (5) years been investigated by any Governmental Authority (other than a Taxation Authority) in connection with any alleged or actual mis-selling of Insurance Contracts (irrespective of whether such mis-selling was carried out or alleged to have been carried out by a Target Group Company or a Distributor) and so far as any Seller is aware, the Target Group has no current exposure to actual liabilities relating to the mis-selling of the Insurance Contracts in any of the jurisdictions in which it operates.
- (d) So far as the Sellers are aware, since the Relevant Date, no Target Group Company has been investigated by the FCA in connection with the matters identified in the FCA's market study into the sale of general insurance add-ons (related to travel, gadget, guaranteed asset protection, home emergency and personal accident insurance) which were the subject of a discussion paper published by the FCA on 24 July 2014.

2.12 **Distribution Agreements**

- (a) Folder 5.2.1.8 of the Data Room contains true, accurate and complete copies of the main relationship agreement, together with any framework agreement, any service level agreement and any individual country agreement entered into in connection therewith, related to (i) each current Key Client and (ii) other than in regard to Sunshine Contracts, all past Key Client Agreements entered into within the ten (10) years prior to the Offer Date. The agreements in folder 5.2.1.8 of the Data Room represent all material provisions of the current agreements with each Key Client.

- (b) So far as any Seller is aware, there are no facts or circumstances which would be reasonably likely to (i) give rise to a material claim by a Distributor against a Target Group Company under any Distribution Agreement with respect to the performance of the Target Group's obligations thereunder or pursuant to an indemnity thereunder in favour of such Distributor or (ii) materially limit any Target Group Company's ability to recover from such Distributor under the terms of the Distribution Agreement for loss caused to the Target Group company as a result of the acts or omissions of such Distributor pursuant to the Distribution Agreement or to recover under any indemnity in favour of such Target Group company under such Distribution Agreement, in each case, in relation to the sale, marketing or administration of Insurance Contracts.
- (c) No Seller or Target Group Company has agreed or consented to any assignment of rights or obligations of the Relevant Distributor under its agreement with Financial Assurance Company Limited and Financial Insurance Company Limited dated 22 January 2010 to New Day or any other third party.
- (d) Document 10.1.23.1 of the Data Room includes the names of all Distributors who sold Insurance Contracts in the United Kingdom prior to 1 January 2005 that remained in force as at 1 January 2005.

2.13 **No Conflicts; Applicable Law**

The execution, delivery and performance by the Sellers of the Transaction Documents to which they are parties will not constitute a breach by any Seller of (a) any Applicable Law in any relevant jurisdiction which is material in the context of the Transaction or (b) any Material Contract to which such Seller or any Target Group Company is a party or by which it is bound or submits and which is material in the context of the Transaction provided that for purposes of this paragraph 2.13(b), the reference to "Distribution Agreements" in the definition of "Material Contracts" shall be deemed to be a reference solely to the "Key Client Agreements."

2.14 **Properties**

- (a) True and accurate details of all premises owned or occupied by any member of the Target Group are set out in folders 5.2.3 and 10.5.5 of the Data Room (the "**Properties**", and each a "**Property**").
- (b) Other than in relation to certain Properties shared with affiliates of the Sellers' Guarantor identified in Schedule 15, in relation to each Property, the relevant Target Group Company is the legal and beneficial owner of or has the legal right to occupy the whole Property.
- (c) Other than in relation to certain Properties shared with affiliates of the Sellers' Guarantor identified in Schedule 15, in relation to each Property, the relevant Company is in possession of the whole of each Property and no person is in, or otherwise entitled to, occupation or use.

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- (d) Where any Property is leased by a Target Group Company:
- (i) the requisite details are set out in folders 5.2.3 and 10.5.5 of the Data Room; and
 - (ii) so far as the Sellers are aware, no written claim has been received or sent by any Target Group Company alleging a breach or non-observance of any covenant, condition or agreement contained in the lease under which the relevant Target Group Company holds its interest in the Property, on the part of the relevant landlord or any Target Group Company.

2.15 **Data Protection**

- (a) No written notice from any applicable Regulatory Authority alleging non-compliance with any applicable Data Protection Laws (including any enforcement notice, deregistration notice, transfer prohibition notice or equivalent notice) has been received by any Target Group Company from any competent data protection authority in the previous twenty-four (24) months.
- (b) The Target Group has complied in the last twenty-four (24) months in all material respects with applicable requirements (including registration or notification requirements) of applicable Data Protection Laws.
- (c) So far as the Sellers are aware, following Completion, the Purchaser and the Target Group Companies will be entitled to process the personal data (as defined in the Data Protection Laws) comprised in the business records of the Target Group Companies created prior to Completion that are in the control or possession of the Target Group Companies or a member of the Purchaser's Group after Completion in the manner in which that personal data was processed by the Target Group Companies in the course of the business in the twelve (12) months immediately before Completion, in compliance with the Data Protection Laws, provided that the Purchaser and the Target Group Companies continue to take such steps, or procure that the Target Group Companies take such steps, in relation to the business to ensure compliance with the Data Protection Laws as were taken by the Target Group Companies in the twelve (12) months immediately before Completion and, in particular, maintain an appropriate notification with the office of the Information Commissioner under the Data Protection Act 1998 and complies with any equivalent data protection registration or notification requirements in the other jurisdictions in which the business is carried out.

2.16 **Intellectual property**

- (a) Except with respect to the Owned IP set forth in Schedule 11, none of the Target Group Companies are the registered or beneficial owners of any registered Intellectual Property Rights and none of the Target Group Companies have applied for the registration of any Intellectual Property Rights.

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- (b) The Owned IP is exclusively legally and beneficially owned by a Target Group Company; and so far as the Sellers are aware, is valid and subsisting. The Owned IP is not subject to any Encumbrance, except for (i) exclusive licences of Intellectual Property Rights granted by any Target Group Company or (ii) any non-exclusive licences in the ordinary course of business.
 - (c) So far as the Seller is aware, the Target Group Companies possess the applicable licenses to use all of the Business IP (excluding the Owned IP) in the manner in which it is currently used by the Target Group Companies.
 - (d) In respect of all material licences of Intellectual Property Rights granted to or by any Target Group Company (i) so far as the Seller is aware no Target Group Company is in material default under any such licences to which it is a party; and (ii) no Target Group Company has received written notice in the twenty-four (24) months before the Offer Date that it is in material default, nor has any termination been threatened.
 - (e) No material licence of Intellectual Property Rights granted to any Target Group Company shall automatically terminate or become validly terminable by the other party, or provide for any other material adverse consequence for any Target Group Company, as a result of a change of control of any Target Group Company.
 - (f) So far as the Seller is aware, the business carried on by the Company at the Offer Date does not infringe any third party rights in intellectual property. No Target Group Company has in the twenty-four (24) months before the Offer Date received a written notice alleging that the operations or products of any Target Group Company infringe the Intellectual Property Rights of a third party where such infringement has or might reasonably be expected to be material to the business of any Target Group Company.
 - (g) In the twenty-four (24) months before the Offer Date, no Target Group Company has sent a written notice alleging that a third party is, or may be, infringing the Owned IP where such infringement has or might reasonably be expected to be material to the business of the Target Group Companies.

2.17 **Information technology and cyber-security**

- (a) All of the material IT Systems are owned by, or validly licensed, leased or supplied under IT Contracts to a Target Group Company.
- (b) All of the IT Systems material to the business of the Target Group Companies are maintained and supported by a Target Group Company or by a third party under an IT Contract.
- (c) In the twenty-four (24) months before the Offer Date, the IT Systems have not been subject to any systems failure, data loss or theft or other material security breach or failure, which would reasonably be considered material to the Target

Group as constituted immediately before Completion taking into account any reorganization steps required under the term of this Agreement (each a “**Cyber Security Incident**”).

- (d) The Target Group Companies have, in accordance with industry practice in each relevant jurisdiction, implemented measures that are designed to monitor and test the security of the IT Systems and to prevent the IT Systems from being affected by a Cyber Security Incident.

2.18 **Contracts**

- (a) Complete and accurate copies of all Material Contracts are included in folders 3.11.1, 3.11.2.12.2, 3.11.3, 3.11.5.3, 5.2, 10.1.4, 10.1.7 and 10.1.9 of the Data Room provided that for the purposes of this paragraph 2.18(a), the reference to “Distribution Agreements” in the definition of “Material Contracts” shall be deemed to be a reference solely to the “Key Client Agreements.”
- (b) All Material Contracts are in full force and effect and there are no material outstanding breaches by any Target Group Company or, so far as the Sellers are aware, its counterparty of the terms of any of the Material Contracts. No party has served or, so far as the Sellers are aware, indicated in writing its intention to serve any termination notice under any Material Contract.
- (c) No Target Group Company has, since the Relevant Date, received written notice that it is in default under any agreement, mortgage, charge, lien or pledge which is material to the relevant Target Group Company’s financial position.
- (d) Other than the Material Contracts, there are no subsisting contracts to which any Target Group Company is a party and in which any member of the Sellers’ Group has a material interest, other than on normal commercial terms in the ordinary course of business.
- (e) The Key Client Agreements accounted for greater than 80% of the total gross written premium of the Target Group for the twelve (12) month period ended 31 December 2014.

2.19 **Related Party Services**

Other than the (a) Transaction Documents, (b) contracts or agreements identified in Section 2.19 of Part A of Schedule 1 of the Disclosure Letter, (c) contracts or agreements that will terminate at or prior to Completion or (d) contracts or agreements that are not material to the continued operation of the business of the Target Group Companies taken as a whole, no contract or arrangement exists between, on the one hand, any Target Group Company and, on the other, any Seller or any other member of the Sellers’ Group (or any person connected with any of them).

2.20 **Litigation**

- (a) Except (i) as claimant in the collection of debts or as defendant, (ii) as a party to legal proceedings by virtue of subrogation with respect to insurance claims arising in the ordinary course of business, and (iii) claims under Insurance Contracts within applicable policy limits arising in the ordinary course of business (in each case involving an amount not exceeding USD 250,000), no Target Group Company is a claimant or defendant in or otherwise a party to any litigation, arbitration or administrative proceeding which is in progress, nor, so far as the Sellers are aware, are any such proceedings threatened against any Target Group Company nor does any Target Group Company intend to instigate any such proceedings.
- (b) So far as the Sellers are aware, there are no unfulfilled or unsatisfied judgments against a Target Group Company.

2.21 **Own Insurance**

- (a) Folder 7.4 of the Data Room contains details of all coverages under insurance policies effected in whole or in part for the benefit of a Target Group Company (as policyholder) and which are material to its business as presently conducted (the “**Target Group Policies**”).
- (b) Each of the Target Group Policies is valid and enforceable and is not void or voidable.
- (c) Since the Relevant Date no material claims have been made by or for the benefit of any Target Group Company under any Target Group Policy.

2.22 **Solvency**

- (a) No administrator, receiver or administrative receiver (or its equivalent in any jurisdiction) has been appointed in respect of the whole or any part of the assets or undertaking of any Target Group Company.
- (b) No order has been made and no resolution has been passed for the winding-up of any Target Group Company and, so far as the Sellers are aware, no petition has been presented for that purpose.
- (c) No Target Group Company is unable to pay its debts as they fall due or has stopped paying its debts as they fall due.
- (d) No voluntary arrangement, compromise or similar arrangement with creditors has been proposed, agreed or sanctioned in respect of any Target Group Company.

Employees

- (a) The Employees listed in the HR Data Room are the only directors and officers of, and persons employed by any Target Group Company.
- (b) Complete, accurate and, as of the Offer Date, current copies have been disclosed of:
 - (i) the standard terms and conditions of employment and all policies relating to the provision of material benefits applicable to each Employee including without limitation private medical expense benefits, permanent health insurance or other income replacement scheme, car, long term sick benefits and life assurance;
 - (ii) all written policies whether contractual or discretionary relating to redundancy, severance or the termination of employment of the Employees;
 - (iii) all retention arrangements and change of control provisions to which any Employee is a party;
 - (iv) each agreement under which an individual is supplied to perform services for a Target Group Company but who is not considered by the Target Group Company to be an employee;
 - (v) each bonus, commission, profit sharing, share option, share incentive or other incentive schemes in which Employees are eligible to participate, maximum and target bonus opportunities, details of amounts accrued to date as at the Offer Date thereunder and details of all Seller Equity Compensation Awards which remain outstanding (including the number of shares under award and vesting dates); and
 - (vi) each agreement or arrangement between a Target Group Company and any trade union, works council, staff association or other body representing any of the Employees.
- (c) No Employee with an annual salary of GBP 75,000 (or the equivalent in any other currency) or more was, on the Offer Date, under notice of termination and, as of the Offer Date, there were no proposals to terminate the employment of any Employee with an annual salary of GBP 75,000 (or the equivalent in any other currency) or more.
- (d) None of the current directors or managing directors of any Target Group Company has given or been given notice to terminate his employment.
- (e) No material dispute has arisen since the Relevant Date between any Target Group Company and a material number or category of its Employees or with any trade union or other body representing any of the Employees.
- (f) No offer of employment has been made by any Target Group Company for a role with an annual salary of GBP 75,000 (or the equivalent in any other currency) or more that has not yet been accepted, or which has been accepted but where the employment has not yet started.

- (g) There is no amount payable to any Employee or to any former employee of any Target Group Company in respect of the period prior to the Offer Date (including under any Target Group Plan, Seller Group Plan or Seller Bonus Plan) other than the reimbursement of expenses in the ordinary course, normal salary or remuneration and benefits for the part month as at the Offer Date and accrued holidays, as applicable.
- (h) No Target Group Company has any outstanding liability for any material breach of contractual, statutory or regulatory obligations to current or former directors, employees, workers or consultants.

2.24 **Pensions**

- (a) The pension and early retirement arrangements disclosed in the HR Data Room are the only arrangements under which the Target Group may or could become liable to make payments for providing retirement, death, disability, long service, termination of service or life assurance benefits to employees of the Target Group, except for mandatory arrangements to which the Target Group contributes as a requirement of Applicable Law.
- (b) The pension and early retirement arrangements as disclosed in the HR Data Room have at all times been materially operated in accordance with the requirements of Applicable Law in relation to such arrangements and the Target Group has materially observed and performed all of its obligations under the regulations of these pension and early retirement arrangements.
- (c) A complete set of all material explanatory literature relating to each of the pension and early retirement arrangements is disclosed in the HR Data Room.
- (d) In relation to any current or former employee or director there are no complaints, disputes or applications pending or in progress (or, as far as the Sellers are aware, threatened, or any circumstances likely to lead to such complaints, disputes or applications) in relation to any retirement, death, disability, long service, termination of service or life assurance benefits.
- (e) In relation to all Employees, since the Relevant Date, no Target Group Company has been a party to a relevant transfer for the purposes of the Transfer of Undertakings (Protection of Employment) Regulations 1981 and/or the Transfer of Undertakings (Protection of Employment) Regulations 2006 and no event has occurred which may involve such persons in the future being a party to such transfer.

2.25 **Liabilities**

- (a) No Target Group Company;
 - (i) has any outstanding borrowings or has agreed to create or incur any borrowings or indebtedness in the nature of borrowings;

- (ii) is a party or is liable under a guarantee, indemnity or other agreement to secure or incur a financial or other obligation with respect to another person's obligations;
- (iii) has issued any promissory notes or similar instruments; or
- (iv) is liable to repay any grant or other similar subsidy made to it by any Governmental Authority of the Republic of Ireland or the United Kingdom.

3. **INSURANCE BUSINESS**

3.1 **Insurance Policies**

- (a) In the five (5) years prior to the Offer Date the Insurance Companies have implemented and followed reasonable and appropriate policies and procedures to ensure that all insurance products marketed, serviced, administered, sold or issued by or on behalf of the Insurance Companies including the Insurance Contracts have been marketed, serviced, administered, sold and issued in compliance with Applicable Law and good industry practice.
- (b) Folder 5.2.1.9 of the Data Room contains the standard terms and conditions of each type of Insurance Contract distributed by Key Clients issued as of the Offer Date by any Target Group Company.
- (c) Since the Relevant Date, there has been no failure to administer any Insurance Contracts in accordance with their terms which, taken individually or collectively, has resulted, or so far as any Seller is aware, will result in a material adverse effect on either Financial Insurance Company Limited or Financial Assurance Company Limited.
- (d) The policyholder records of each Target Group Company required to operate the business are within its possession or control to the extent required by Applicable Law.
- (e) The claims data disclosed in folders 4.4, 4.5 and 7.3 of the Data Room and the complaints data disclosed in folders 6.8 and 10.1.8 is true, complete and accurate in all material respects as at the Offer Date. No Target Group Company is party to any litigation proceeding in relation to the marketing or sales of the Insurance Contracts and the Sellers are not aware of any complaint or claim by any person which, individually or in combination with any other claim or litigation proceeding in relation to the same or similar activities by a Target Group Company or a particular Distributor in a particular jurisdiction regarding the marketing or sales of the Insurance Contracts would be reasonably likely to result in a liability for such Target Group Company exceeding EUR 200,000 (whether such claim or complaint is made against a Target Group Company or a Distributor

or their respective agents). Each Target Group Company has in the last five (5) years complied in all material respects with Applicable Law with respect to handling claims under the Insurance Contracts and complaints and recording such claims and complaints. No Target Group Company has received written notice from any Governmental Authority in the last five (5) years of any investigation into its claims or complaints handling procedures or those of its Distributors.

- (f) In the five (5) years prior to the Offer Date, each Target Group Company that is regulated by the PRA and FCA has managed its relationship with its Distributors in respect of the marketing and sale of Insurance Contracts by each such Distributor pursuant to the relevant Distribution Agreement in accordance with Applicable Law.
- (g) There have not been and there are no material ongoing disputes with any Distributor with respect to the allocation of liability between a Target Group Company and such Distributor relation to the sale or marketing by such Distributor of any Insurance Contracts.
- (h) The information relating to the Target Group's current and historic sales volume in folder 10.1.8.3 of the Data Room is true, accurate and complete.
- (i) No Insurance Contracts contemplated under the Particular Conditions Agreement dated 1 October 2002 have been sold in breach of the provisions of the Portuguese Consumer Credit Regime.

3.2 Reserves

- (a) Documents 1.1 and 10.5.6.7 of the Data Room contain all actuarial reports relating to Reserves prepared by external actuaries commissioned by the Insurance Companies, independent or otherwise, with respect to the Insurance Companies since the Accounts Date.
- (b) The Reserves set out in the Insurance Companies Accounts were calculated in all material respects (i) in accordance with generally accepted actuarial standards applied in the UK and in accordance with all Applicable Laws and the Reserving Methodology and such Reserving Methodology has been applied consistently in calculating the Reserves during each of the preceding three (3) fiscal years save as described in folder 4.2.18 of the Data Room and (ii) to take into account the liabilities of the relevant Insurance Company under all Insurance Contracts issued by the relevant Insurance Company and in force as at the Accounts Date (calculated using a contract by contract approach save where a sampling approach is permitted under the Reserving Methodology).

3.3 Reinsurance

- (a) Folder 5.2.5.9 of the Data Room contains all outwards reinsurance agreements entered into by a Target Group Company that are in force and exist for the benefit of the Insurance Companies at the Offer Date (the "**Reinsurance Contracts**").

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- (b) So far as the Sellers are aware, the Reinsurance Contracts are legal, valid, binding and enforceable in accordance with their terms. No Target Group Company is in dispute with the counterparty to any Reinsurance Contract.

3.4 **Capital**

- (a) Each of the Insurance Companies maintains the applicable minimum regulatory capital as required under any Applicable Law and/or agreed with a Regulatory Authority.
- (b) None of the Insurance Companies has received any written notice from a Regulatory Authority requiring an increase in its capital level.

3.5 **Applicable Distributor**

- (a) No Target Group Company has underwritten or agreed to underwrite Insurance Contracts distributed by the Applicable Distributor other than Insurance Contracts covering (i) risqué statulaires with the Applicable Persons and (ii) santé and prévoyance, and applying general terms which are disclosed in folder 5.2.1.9.20 of the Data Room.
- (b) The claims data set out in document 10.5.1.2 in the Data Room reflects the most recently available information received by the Target Group from the Applicable Distributor.
- (c) The Target Group has made changes to the underwriting of the Applicable Business for the 2016 underwriting year as set forth in document 24 of Schedule 5 of the Disclosure Letter.
- (d) The Target Group has the right to terminate the Applicable Contracts and all agreements relating to the Applicable Business without cause on or before 31 December 2016 in accordance with their terms and without penalty.
- (e) As far as the Sellers are aware, all “actes d’engagement” agreed between the Applicable Persons and the Applicable Distributor are consistent with the general terms of the Insurance Contracts.

4. **TAX**

4.1 **Taxation liabilities**

The Target Group has no outstanding liabilities in respect of Tax that have not been duly paid (to the extent such Tax has fallen due for payment) which in aggregate exceed an amount equal to GBP 250,000 (of which no single liability in respect of Tax exceeds GBP 25,000).

4.2 **Taxation returns**

- (a) All notices, computations and returns which ought to have been submitted to a Taxation Authority by the Target Group have been properly and duly so submitted and all information, notices, computations and returns submitted to a Taxation Authority are true, accurate and complete in all respects and are not the subject of any dispute with a Taxation Authority and not yet to be determined by or is subject to agreement with a Taxation Authority.
- (b) All records which the Target Group is required to keep for Taxation purposes have been duly kept and are available for inspection at the premises of the relevant Target Group Company.
- (c) The Target Group has not asked for any extensions of time for the filing of any currently outstanding tax returns or other documents relating to Taxation.
- (d) All returns submitted to a Taxation Authority by a Target Group Company categorising insurance business for Tax purposes, including BLAGAB and non-BLAGAB categorisation, are in accordance with Applicable Law and relevant accounting principles.

4.3 **Penalties and interest**

No Target Group Company has since the Relevant Date paid or become liable to pay any interest, penalty, surcharge or fine relating to Taxation.

4.4 **Concessions and arrangements**

The amount of Taxation chargeable on the Target Group within the past twelve (12) months has not been affected to any material extent by any special concession, agreement or other formal or informal arrangement with any Taxation Authority (not being a concession, agreement or arrangement available to companies generally).

4.5 **Investigations**

No Target Group Company has since the Relevant Date been subject to or is currently subject to any investigation or audit by any Taxation Authority.

4.6 **Tax grouping**

No Target Group Company has, nor at any time since the Relevant Date has had, its Tax affairs dealt with on a consolidated basis or formed a fiscal unity.

4.7 **General**

- (a) Each Target Group Company is and has at all times been resident in its country of incorporation for all Tax purposes and is not and has not at any time been treated:
 - (i) as resident in any other jurisdiction for any Tax purpose (including any double Taxation arrangement); or

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- (ii) as carrying on a business in any other jurisdiction through a permanent establishment; or
 - (iii) other than those jurisdictions covered by (i) and (ii) above, as having any presence for Tax purposes in any jurisdiction which requires it to make any payment of any amount exceeding GBP 100,000 of Tax in that jurisdiction.
- (b) Each Target Group Company has deducted or withheld all Tax which it has been required by law to deduct or withhold from amounts paid by it, and has properly accounted to the relevant Taxation Authority for all amounts of Tax so deducted or withheld.
 - (c) Each Target Group Company has properly operated all applicable systems of payroll tax deduction and has complied with each reporting obligation in connection with the benefits provided (whether by the Target Group Company or by any other person) for the Target Group Company's directors, other officers and employees and former directors, other officers and employees.
 - (d) No Target Group Company is and none expects to be involved in a dispute in relation to Tax. No Taxation Authority has investigated or indicated in writing that it intends to investigate a Target Group Company's Tax affairs.
 - (e) So far as the Sellers are aware, each Target Group Company has sufficient records to determine the Tax consequences which would arise on a disposal or on the realisation of each asset owned by it at the Accounting Date, or acquired since the Accounts Date but before the Offer Date.
 - (f) Each Target Group Company has made and submitted each claim, disclaimer, election, notice and consent assumed to have been made and submitted for the purposes of the Accounts.
 - (g) No Target Group Company has any obligation to make any payment or to refund any amount to a company other than another Target Group Company pursuant to any intra-group tax arrangements, including without limitation in respect of any amounts paid for the surrender of any group relief under Part 5 CTA 2010 or tax refund under section 963 CTA 2010.

4.8 **Arm's length dealings**

- (a) So far as the Sellers are aware, no Target Group Company is and none has been a party to or otherwise involved in any transaction, agreement or arrangement otherwise than by way of a bargain at arm's length, or any transaction, agreement or arrangement (whether or not by way of a bargain at arm's length) under which it has been or is or may be required to make any payment for any goods, services or facilities provided to it which is in excess of the market value of such goods,

services or facilities or under which it has been, or is or may be required to provide goods, services or facilities for a consideration which is less than the market value of such goods, services or facilities and/or in consequence of which it is or will be liable to Tax in respect of an amount deemed for Tax purposes to be income or gains of the Target Group Company but not actually income or gains of the Target Group Company.

- (b) So far as the Sellers are aware, each Target Group Company has obtained on a timely basis, and has retained, all documents and other evidence required by Taxation laws relating to transfer pricing.

4.9 Chargeable gains

Neither the execution nor the performance of, nor any action taken in pursuance of this Agreement, nor the satisfaction or any condition to which this Agreement is subject will result in a Taxation liability for any Target Group Company.

4.10 Value added tax

- (a) Each Target Group Company:
- (i) is registered for the purposes of the VATA;
 - (ii) has made, given, obtained and kept up to date, full and accurate records, invoices and documents appropriate or required for the purposes of the VATA;
 - (iii) has complied in all material respects with all other applicable VAT legislation and in particular has filed all returns and made all payments of VAT on a timely basis; and
 - (iv) has not been required by a Taxation Authority to give security under the VATA.

4.11 Secondary liability

So far as the Sellers are aware, no Target Group Company is liable for any Tax which is the primary liability of a person other than such Target Group Company, or which is charged by reference to the income or gains of another person.

4.12 Insurance Premium Tax

Each Target Group Company has paid in full all liabilities to Insurance Premium Tax.

SCHEDULE 5
LIMITATIONS ON LIABILITY

1. **NOTICE**

If the Purchaser, any member of the Purchaser's Group or the Target Group becomes aware of a matter or circumstance which may give rise to a Warranty Claim (other than a Tax Claim), a Clause 10.7 Covenant Claim or a claim under clause 10.8, the Purchaser shall give notice to the Sellers (a "**Notice of Claim**") specifying so far as is practicable in the time available that matter or circumstance in reasonable detail (including, without limitation, where practicable in the time available the Purchaser's good faith estimate, on a without prejudice basis, of the amount of such claim ("**Best Estimate**")) as soon as reasonably practicable (and in any event within forty five (45) days) after it becomes aware of that matter or circumstance. The Sellers shall not be liable for any losses in respect of a Warranty Claim (other than a Tax Claim) to the extent that they are increased, or are not reduced, as a result of any failure by the Purchaser to give notice as contemplated by this paragraph.

2. **EXCLUSIONS**

The Sellers shall not be liable in respect of a Warranty Claim (other than a Tax Covenant Claim or Fundamental Warranty Claim) to the extent the matter or circumstances giving rise to that claim:

- (a) is Fairly Disclosed in the Transaction Documents, the Disclosure Letter, the Data Room or the HR Data Room, provided that with regard to a Fundamental Warranty Claim, the matter or circumstance is specifically disclosed in the Disclosure Letter itself; or
- (b) is (except in the case of a Fundamental Warranty Claim) a matter or circumstance of which the Purchaser otherwise has actual knowledge at the Offer Date.

2.2 The Sellers shall not be liable in respect of a Warranty Claim (other than a Tax Claim or Fundamental Warranty Claim), a Clause 10.7 Covenant Claim, or in respect of paragraph 2.2(b) only, a claim under clause 10.8 to the extent the relevant liability:

- (a) has been or is made good or is otherwise compensated for without cost to the Purchaser or the Target Group; or
- (b) is the subject of a provision or reserve in the Final Balance Sheet, or the relevant liability was specifically taken into account in the preparation of the Final Balance Sheet; or
- (c) arises as a result of a change in legislation or a change in the interpretation of legislation on the basis of case law made after the Offer Date, whether or not that change, amendment or withdrawal purports to be effective retrospectively in whole or in part; or

- (d) arises as a result of any change after Completion of the date to which the Target Group makes up its accounts or in the bases, methods, principles or policies of accounting of the Target Group; or
- (e) arises as a result of any act or omission of the Target Group on or before Completion carried out at the written request of the Purchaser or any act or omission of the Purchaser, any member of the Purchaser's Group or the Target Group after Completion; or
- (f) arises as a result of a cessation, or any change in the nature or conduct, of any trade carried on by the Target Group at Completion, being a cessation or change occurring on or after Completion.

For the avoidance of doubt, any liability of the Sellers hereunder and under any other Transaction Document shall be determined without duplication of recovery by reason of the same Claim or the same matter or circumstance giving rise to any number of Claims.

3. FINANCIAL LIMITS

3.1 The liability of the Sellers under or in respect of any Warranty Claim, a Clause 10.7 Covenant Claim and, where applicable, a Tax Claim shall be limited as follows:

- (a) the Sellers shall not be liable in respect of, and there shall be disregarded for all purposes, any Warranty Claim (other than a Fundamental Warranty Claim) or Clause 10.7 Covenant Claim, unless the amount of the damages or payment (as the case may be) to which the Purchaser would, but for this subparagraph, be entitled as a result of that Warranty Claim or Clause 10.7 Covenant Claim (as the case may be) exceeds EUR 750,000 and for these purposes (x) multiple claims arising from a single cause of action or similar fact or circumstance shall not be considered to be separate Claims, and (y) any Clause 10.7 Covenant Claims arising under a subsection of clause 10.7 shall be aggregated with all other Clause 10.7 Covenant Claims arising under the same subsection of clause 10.7, but not with any Clause 10.7 Covenant Claim arising under any other subsection of clause 10.7;
- (b) the Sellers shall not be liable in respect of any Warranty Claim (other than a Fundamental Warranty Claim) or Clause 10.7 Covenant Claim except to the extent that the amount of damages resulting from any and all Warranty Claims and Clause 10.7 Covenant Claims (other than claims disregarded as contemplated by subparagraph (a) above) exceed in aggregate an amount equal to EUR 9,000,000 (the "**Threshold**") and in the event the aggregate amount exceeds the Threshold, the Sellers shall only be liable for any amount in excess of the Threshold; and
- (c) the maximum aggregate liability of the Sellers in respect of:
 - (i) any and all Warranty Claims (other than a Fundamental Warranty Claim or Tax Warranty Claim) and Clause 10.7 Covenant Claims, in the aggregate, shall not exceed an amount equal to 27.5% of the Consideration; and

- (ii) any and all Tax Claims shall not exceed an amount equal to 27.5% of the Consideration.

For the avoidance of doubt, the liability of the Sellers under any other provision of this Agreement shall not be subject to any financial limits.

4. TIME LIMITS

- 4.1 The liability of the Sellers (i) in respect of all Warranty Claims (except Tax Warranty Claims and any Claims under the Warranties in paragraphs 2.10(a) or (b), 2.11(c), 2.12(a), (b) or (c) and 3.1(a), (c), (e), (f), (g) (h) or (i) of Schedule 4) which arise out of or directly relate to the mis-selling of Insurance Contracts (including, for the avoidance of doubt, any related complaints handling or Enforcement Action in connection therewith) and (ii) in respect of any Spanish Passporting Claim or Data Protection Claim shall terminate on the eighteen (18) month anniversary of Completion, except in respect of any Warranty Claim of which notice is given to the Sellers in compliance with paragraph 1 of this Schedule 5 before the eighteen (18) month anniversary of Completion as set out above.
- 4.2 The liability of the Sellers (i) in respect of Claims under the Warranties in paragraphs 2.10(a) or (b), 2.11(c), 2.12(a), (b) or (c) and 3.1(a), (c), (e), (f), (g), (h) or (i) of Schedule 4 which arise out of or directly relate to the mis-selling of Insurance Contracts and (ii) in respect of any PPI Distributors Claim or Complaints-Handling Claim shall terminate on the five (5) year anniversary of Completion.
- 4.3 The liability of the Sellers in respect of any such Warranty Claim or Clause 10.7 Covenant Claim shall in any event terminate if proceedings in respect of it have not been commenced within nine (9) months after the giving of notice of that Warranty Claim or Clause 10.7 Covenant Claim as contemplated by paragraph 1 of this Schedule 5 (or, if such Claim is based on a liability which is contingent only, within nine (9) months after such contingent liability gives rise to an obligation to make a payment). The parties agree that any deficiency in such notice shall not operate to restrict the Purchaser's ability to recover under the relevant Warranty Claim or Clause 10.7 Covenant Claim.
- 4.4 The liability of the Sellers in respect of Tax Claims shall terminate on the later of the date falling one (1) month after:
- (a) the second anniversary following the last day of the accounting period in which Completion occurs; and
 - (b) the time period implied by the relevant statute of limitations in the jurisdiction to which the Tax Claim relates.

The period in which the Purchaser may bring a Tax Claim pursuant to this paragraph 4.4 is referred to as the **"Purchaser Tax Claim Period"** for the purposes of this Agreement.

5. **ASSESSMENT OF DAMAGES**

Any damages in respect of a Warranty Claim shall be assessed on the basis of the diminution in value of the Sale Shares directly attributable to the matter or circumstance giving rise to that Warranty Claim and not on any other basis. In particular, but without limitation, there shall be taken into account the amount by which any Taxation, for which the Purchaser or the Target Group is now or in the future accountable or liable to be assessed, is reduced or extinguished as a result of the matter or circumstance giving rise to the relevant Warranty Claim, such Taxation to be calculated on the basis of rates of Taxation prevailing at the time of the Warranty Claim.

6. **PAYMENT OF DAMAGES**

Any payment made by the Sellers in respect of a Warranty Claim shall, to the maximum extent possible, be deemed to be a reduction in the Consideration.

7. **THIRD PARTY CLAIMS**

7.1 If a Warranty Claim (other than a Tax Warranty Claim), a claim under clause 10.5, a Clause 10.7 Covenant Claim or a claim under clause 10.8 arises as a result of, or in connection with, a liability or alleged liability of the Target Group or Purchaser's Group to a third party (a "**Third Party Claim**"), then the Sellers may (subject to Applicable Law), at any time before any final compromise, agreement, expert determination or non-appealable decision of a court or tribunal of competent jurisdiction is made in respect of the Third Party Claim or the Third Party Claim is otherwise disposed of, give notice to the Purchaser that it elects to assume the conduct of any dispute, compromise, defence or appeal of the Third Party Claim and of any incidental negotiations on the following terms:

- (a) the Purchaser shall use its reasonable endeavours to procure that the Target Group make available to the Sellers (at the cost of the Sellers) such persons and all such information as the Sellers may reasonably request for assessing, contesting, disputing, defending, appealing or compromising the Third Party Claim;
- (b) the Purchaser shall use its reasonable endeavours to procure that the Target Group take such action to assess, contest, dispute, defend, appeal or compromise the Third Party Claim as the Sellers may reasonably request (subject to the Sellers bearing the costs thereof) and will not make any admission of liability, agreement, settlement or compromise in relation to the Third Party Claim without the prior written approval of the Sellers (such approval not be reasonably withheld or delayed);
- (c) the Sellers shall keep the Purchaser promptly informed of the progress of the Third Party Claim and promptly provide the Purchaser with copies of all relevant documents and such other information in its possession as may be requested by the Purchaser (acting reasonably); and

(d) the Sellers shall consult with the Purchaser and take account of the reasonable requests of the Purchaser including with respect to any reputational concerns of the Purchaser in relation to the conduct of such Third Party Claim,

provided that the Sellers shall not take any action under this paragraph 7.1 in respect of a Third Party Claim relating to a claim under clause 10.8 that will, in the Purchaser's reasonable opinion, delay or materially adversely affect the finalisation and execution of the Relevant Distributor Agreement.

7.2 If a Warranty Claim (other than a Tax Warranty Claim), a claim under clause 10.5, a Clause 10.7 Covenant Claim or a claim under clause 10.8 arises as a result of, or in connection with, a Third Party Claim, the Purchaser shall, until the earlier of such time as the Sellers shall give any notice as contemplated by subparagraph 7.1 and such time as any final compromise, agreement, expert determination or non-appealable decision of a court or tribunal of competent jurisdiction is made in respect of the Third Party Claim or the Third Party Claim is otherwise finally disposed of:

- (a) procure that the Target Group consult with the Sellers, and take account of the reasonable requirements of the Sellers, in relation to the conduct of any dispute, defence, compromise or appeal of the Third Party Claim;
- (b) keep, or procure that the Target Group keep, the Sellers promptly informed of the progress of the Third Party Claim and provide, or procure that the Target Group provides, the Sellers with copies of all relevant documents and such other information in the Purchaser's or the Target Group's possession as may be requested by the Sellers (acting reasonably); and
- (c) procure that the Target Group shall not cease to defend the Third Party Claim or make any admission of liability, agreement or compromise in relation to the Third Party Claim without the prior written consent of the Sellers (such consent not to be unreasonably withheld or delayed).

7.3 Nothing in this paragraph 7 shall require the provision by any person of any information to the extent such provision would contravene any Applicable Law or would breach any duty of confidentiality owed to any third party. If any information is provided by any person (the "**Provider**") to any other person (the "**Recipient**") pursuant to this paragraph 7:

- (a) that information shall only be used by the Recipient in connection with the Third Party Claim and clause 14 of this Agreement shall in all other respects apply to that information; and
- (b) to the extent that information is privileged:
 - (i) no privilege shall be waived by reason of or as a result of its being provided to the Recipient; and

- (ii) if a third party requests disclosure by the Recipient in relation to that information, if the Recipient is one of the Sellers or the Purchaser, the Recipient shall or, if the Recipient is one of the Target Group, the Purchaser shall procure that the Recipient shall promptly notify the Provider and, to the extent it can do so, itself assert privilege in opposition to that disclosure request.

8. **RECOVERY FROM THIRD PARTIES**

8.1 If the Purchaser, any Target Group Company or any member of the Purchaser's Group is at any time entitled to recover or otherwise claim reimbursement from a third party in respect of any matter or circumstance giving rise to a Warranty Claim (other than a Tax Claim) or a Clause 10.7 Covenant Claim, then the Purchaser shall where practicable procure that all necessary steps are taken to enforce such recovery or seek such reimbursement from the relevant third party before pursuing a Warranty Claim (other than a Tax Claim) or a Clause 10.7 Covenant Claim against any of the Sellers, provided that this shall not prevent the Purchaser from serving notice of such Warranty Claim or Clause 10.7 Covenant Claim pursuant to paragraph 1 of this Schedule 5 or taking steps necessary to ensure that its rights against the Sellers are not limited pursuant to paragraph 4.1 or 4.2 of this Schedule 5.

8.2 If:

- (a) the Sellers make a payment in respect of a Warranty Claim (other than a Tax Claim), a Clause 10.7 Covenant Claim or a claim under clauses 10.8 or 10.9 (the "**Damages Payment**");
- (b) at any time after the making of such payment the Target Group or the Purchaser receives any sum which would not have been received but for the matter or circumstance giving rise to that Warranty Claim, a Clause 10.7 Covenant Claim or a claim under clauses 10.8 or 10.9 (the "**Third Party Sum**");
- (c) the receipt of the Third Party Sum was not taken into account in calculating the Damages Payment; and
- (d) the aggregate of the Third Party Sum and the Damages Payment less all unreimbursed costs incurred by the Target Group or the Purchaser in recovering such Damages Claim and Third Party Sum exceeds the amount required to compensate the Purchaser in full for the loss or liability which gave rise to the Warranty Claim, Clause 10.7 Covenant Claim or claim under clauses 10.8 or 10.9 in question (such excess being the "**Excess Recovery**"),

the Purchaser shall, promptly following receipt of the Third Party Sum by it or the Target Group, repay to the Sellers an amount equal to the lower of (i) the Excess Recovery and (ii) the Damages Payment.

9. **INSURANCE**

Without prejudice to the Purchaser's duty to mitigate any loss in respect of any Warranty Claim, or a Clause 10.7 Covenant Claim, if in respect of any matter which would otherwise give rise to a Warranty Claim, or a Clause 10.7 Covenant Claim, in each case, other than a Tax Claim, the Target Group is entitled to claim under any policy of insurance (or would have been so entitled had they maintained in force their insurance cover current at Completion), the Purchaser must pursue a claim under the relevant policy of insurance before it pursues a claim under this Agreement and the amount of insurance monies to which the Target Group is or would have been entitled shall reduce pro tanto or extinguish that Warranty Claim.

10. **CONTINGENT LIABILITIES**

If any Warranty Claim other than a Tax Claim is based upon a liability which is contingent only, the Sellers shall have no obligation to make a payment in respect thereof unless (and until) such contingent liability gives rise to an obligation to make a payment.

11. **WAIVER OF SET OFF RIGHTS**

Each party waives any and all rights of set off, counterclaim, deduction or retention against or in respect of any of its payment obligations under this Agreement or any of the other Transaction Documents which it might otherwise have by virtue of any Warranty Claim.

12. **REMEDY OF BREACHES**

If the matter or circumstance giving rise to a Warranty Claim (other than a Tax Claim) is capable of remedy, the Sellers shall have no liability in respect of that Warranty Claim unless the relevant matter or circumstance (if capable of remedy) is not remedied within thirty (30) days after the date on which the Sellers are given notice as contemplated by paragraph 1 of this Schedule 5 in relation to that matter or circumstance. The Purchaser shall procure that the Sellers are given the opportunity in that thirty (30) day period to remedy the relevant matter or circumstance at the Sellers' own cost and shall provide, and shall procure that the Target Group shall provide, all reasonable assistance to the Sellers to remedy the relevant matter or circumstance.

13. **CLAUSE 10.7 COVENANT CLAIMS AND CLAIMS UNDER CLAUSE 10.8**

13.1 Notwithstanding anything to the contrary contained in this Agreement or provided under any Applicable Law, neither the Purchaser nor any of its affiliates (including the Target Group Companies after Completion) shall be entitled to recovery from any Sellers' Group Company or the Sellers' Guarantor in connection with any Clause 10.7 Covenant Claims or a claim under clause 10.8 for any consequential, incidental, indirect, special or punitive damages (including any loss of future revenue, income or profits or any diminution of value) save where such damages represent amounts actually paid to a third party or where such amount comprises the loss of accident and health insurance business written by a Target Group Company in Spain directly relating to the absence or withdrawal of the authorisations referred to in clause 10.7(d).

SCHEDULE 6
PRE-COMPLETION

1. AFFIRMATIVE PRE-COMPLETION COVENANTS

- 1.1 The Sellers shall procure that each relevant Target Group Company shall, prior to Completion, deliver all relevant notices required under (i) the Sunshine Contracts; and (ii) the Formula One Sponsorship Agreement dated 14 January 2014 between FIGSL and Williams Grand Prix Engineering Limited, in each case for termination thereof effective as of 31 December 2015.
- 1.2 The Sellers shall procure that the FIG Shares are transferred to a member of the Target Group which is incorporated and tax resident in England.
- 1.3 Except as set forth at section 1.3 of Part B of Schedule 1 of the Disclosure Letter, the Sellers shall, and shall procure that the Target Group Companies shall, take such actions and make such payments as may be necessary so that, immediately prior to Completion, the Target Group Companies, on the one hand, and Sellers and their affiliates (other than the Target Group Companies), on the other hand, shall settle, discharge, offset, pay, repay in full, terminate or extinguish all intercompany obligations, regardless of their maturity, for the amount due, including any accrued and unpaid interest to but excluding the date of payment, fees and other amounts due or outstanding thereunder; provided, however, that if each such item is not paid in full in cash, the method of discharge must be reasonably satisfactory to the Purchaser.
- 1.4 Except as set forth at section 1.4 of Part B of Schedule 1 of the Disclosure Letter, the Sellers shall, and shall procure that the Target Group Companies shall, take such actions as may be necessary (including executing one or more instruments evidencing such termination and one or more releases, in each case, in form and substance reasonably satisfactory to the Purchaser) to terminate and release each Target Group Company from any and all liabilities arising in connection with all contracts, agreements, leases, licenses, commitments and other instruments, arrangements, relationships and understandings between the Target Group Companies, on the one hand, and the Sellers and their affiliates (other than the Target Group Companies), on the other hand.
- 1.5 The Sellers shall, and shall procure that each relevant Target Group Company shall, prior to Completion, use reasonable (or for purposes of the Sellers' Condition, best) endeavours to ensure that the transactions set out in Schedule 13 hereto have been completed.
- 1.6 [Intentionally Omitted.]
- 1.7 The Sellers shall procure that the members of the Sellers' Group and the Target Group Companies undertake the Separation Plan in accordance with clause 4.6 and Schedule 17.
- 1.8 The Sellers and the Purchaser shall respectively use reasonable endeavours to obtain any other consents and approvals (including, for the avoidance of doubt, in respect of any real estate but other than those addressed in Schedule 15) and make any other notifications that may be required in connection with the Transaction, provided that no party hereto

shall be required to compensate any third party, commence or participate in litigation or offer or grant any accommodation (financial or otherwise) to any third party to obtain any such consent or approval.

- 1.9 The Sellers shall and shall procure that each Target Group Company shall enforce their rights under the Relevant Distributor Agreement.
- 1.10 The Sellers shall consult with the Purchaser and consider in good faith any comments by the Purchaser in respect of any measures requiring a change in the regulatory capital held by the Insurance Companies requested by the PRA and/or the GFSC including, without limitation, in connection with Solvency II.
- 1.11 The Sellers shall promptly notify the Purchaser upon receiving a termination notice from a Key Client terminating any Material Contract.
- 1.12 The Sellers shall procure that all existing shares issued by Worldcover Direct Limited and Genworth Financial UK Finance Limited are fully paid prior to Completion.
- 1.13 The Sellers shall procure that the GCSB Share Capital is transferred to a member of the Target Group in accordance with Applicable Law such that Genworth Consulting Services (Beijing) Limited will be a Target Group Company, and not a Company, for purposes of this Agreement.
- 1.14 The Sellers shall procure that commencing on 1 August 2015 the Target Group Companies take all such actions in the period up to the Completion Date as are necessary or desirable to terminate the Applicable Contracts and all agreements with entities relating to the Applicable Business to the extent legally possible in accordance with their terms and without penalty prior to the Completion Date or as soon as practicable thereafter.

2. **NEGATIVE PRE-COMPLETION COVENANTS**

- 2.1 The Sellers shall procure and shall exercise any control rights they have, subject to Applicable Law, with a view to ensuring that, save:
 - (a) where the Purchaser gives its permission to the Sellers (such permission not to be unreasonably withheld or delayed);
 - (b) where necessary or desirable to comply with any Applicable Law, Solvency II or the requests of any Regulatory Authority or the Purchaser; or
 - (c) where the matter is expressly permitted or contemplated under this Agreement, including, without limitation, pursuant to Schedule 13,the Target Group shall not do any of the following:
 - (i) declare, make or pay any dividend or other distribution to any member of the Sellers' Group;

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- (ii) incur any capital expenditure exceeding USD 500,000 in aggregate;
 - (iii) save in respect of any Encumbrance coming into effect as a result of operation of law, create any Encumbrance over the Shares of any Target Group Company or over any material asset of any Target Group Company;
 - (iv) issue any shares or debt securities or borrow any money (except routine payments or drawings and other than normal credit in the ordinary course of business);
 - (v) enter into, terminate (other than at the expiration of its term) or materially amend a Material Contract or other material transaction or agreement which, had it been entered into prior to the Offer Date would have constituted a Material Contract, other than in the ordinary course of business;
 - (vi) voluntarily repay any material loan other than payments of principal and interest when due;
 - (vii) make, grant or waive any loan or indebtedness in excess of USD 100,000 (or USD 500,000 in aggregate) other than loans made in the ordinary course of business;
 - (viii) give a guarantee, an indemnity or similar undertaking to incur a material financial or other material obligation arising by reference to a third party's obligation or liability other than in the ordinary course of business provided that no such guarantee, indemnity or undertaking shall be given to a member of the Sellers' Group in any circumstance;
 - (ix) save in respect of any offers of employment outstanding at the Offer Date or where acting in the ordinary course of business, employ, dismiss (except for good cause) or materially change the terms of employment or engagement of any director or Senior Employee of the Target Group;
 - (x) acquire shares or securities issued by another company (other than a Target Group Company) other than in the ordinary course of business;
 - (xi) underwrite any new lines of business or introduce any new product or underwrite in any new jurisdictions;
 - (xii) make or consent to any material changes to the terms and conditions of any Target Group Plan or any retirement plan of the Target Group or the Transferring Seller Group Plan (including in each case ceasing to contribute to or discontinuing any such plan). For the avoidance of any doubt, nothing in this Schedule 6 will prevent the Sellers' Group or the Target Group from renewing any Target Group Plan prior to Completion in the ordinary course of business provided that (i) the Sellers' Group shall not extend the scope of cover provided under any Target Group Plan as at

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- the Offer Date as part of any renewal; and (ii) the cost of any new Target Group Plan is not materially higher than the cost of such plan as at the Offer Date;
- (xiii) establish, adopt or participate in any incentive arrangement, benefit plan, share plan or arrangement providing retirement, death, disability, long service, termination of service or life assurance benefits to any Employees other than those arrangements disclosed in the HR Data Room;
 - (xiv) amend the memorandum or articles of association of any Target Group Company;
 - (xv) materially amend the terms and conditions of the employment of any employees save as may be required under Applicable Law and save that, in the event that any employee leaves employment prior to Completion, to the extent required by Applicable Law or the terms of the Seller Bonus Plans, they may receive a pro-rated bonus in respect of the Seller Bonus Plans;
 - (xvi) commence any litigation or arbitration or compromise, settle, release or discharge or waive any claim or any litigation or arbitration proceedings in respect thereof where in any case the sum involved exceeds USD 100,000, other than in connection with the payment of claims under Insurance Contracts within any applicable policy limits or in respect of any proceedings Fairly Disclosed before the Offer Date;
 - (xvii) amend any of its accounting or reserving methodologies, policies or principles in any material respect;
 - (xviii) amend any of its risk management or governance procedures or policies in any material respect;
 - (xix) apply for any new regulatory licences or permissions or amend or terminate any existing regulatory licences or permissions or alter in any material respects the way in which business is currently conducted in any jurisdiction;
 - (xx) take any action to approve the issue of, or issue, capital redemption bonds;
 - (xxi) renew the Applicable Contracts or any agreements with entities relating to the Applicable Business except where renewal notices were sent prior to 1 August 2015;
 - (xxii) authorise the underwriting of any risk on or after 1 January 2017 relating to the Applicable Contracts or the Applicable Business; or
 - (xxiii) carry on any business with the Applicable Distributor or any entity listed in Schedule 2 of the Disclosure Letter other than as carried on at the Offer Date as part of the Applicable Business and other than under the new business terms in an Applicable Contract.

**SCHEDULE 7
COMPLETION**

**Part I
PURCHASER'S OBLIGATIONS**

At Completion the Purchaser shall:

- (a) make payments to each Seller (or to such account(s) as the Sellers direct under clause 18.1) of amounts equal to each Seller's respective share of the Initial Consideration as set forth in the Allocation Schedule;
- (b) deliver to the Sellers or the Sellers' Solicitors a certified copy of the resolution of the board of directors of the Purchaser authorising the execution and performance of this Agreement and each of the other Transaction Documents to which it is or is to be a party;
- (c) deliver to the Sellers or the Sellers' Solicitors a counterpart of each Transaction Document to which the Purchaser is a party, duly executed by the Purchaser;
- (d) deliver to the Sellers or the Sellers' Solicitors evidence of satisfaction of the Purchaser's Condition; and
- (e) deliver to the Sellers or the Sellers' Solicitors an acknowledgement of receipt of the documents delivered by the Sellers to the Purchaser at Completion.

**Part II
SELLERS' OBLIGATIONS**

At Completion, the Sellers shall deliver to the Purchaser or the Purchaser's Solicitors:

- (a) a certified copy of the resolutions of the board of directors of each of the Sellers authorising the execution and performance by each Seller of this Agreement and each of the other Transaction Documents to which the relevant Seller is or is to be a party and authorising the sale of the Companies;
- (b) a counterpart of all Transaction Documents to which any of the Sellers or any Target Group Company is a party, duly executed by the relevant Sellers and/or Target Group Companies;
- (c) the Flexible Apportionment Agreement, duly executed by each of FIGSL, Genworth Financial Mortgage Services Limited, Genworth Financial UK Pension SPV Limited and CFI Pension Trustees Limited;
- (d) evidence of satisfaction of the Sellers' Condition;
- (e) duly executed transfers in respect of the Sale Shares to the Purchaser or its nominee(s) and the share certificate(s) for the Sale Shares;

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- (f) an irrevocable power of attorney in the agreed form duly executed by Brookfield Life and Annuity Insurance Company Limited (Bermuda) in favour of the Purchaser or its nominee(s) to enable the Purchaser to exercise all voting and other rights attaching to the GFEGH Shares;
 - (g) evidence (by way of certificate of the Sellers' Solicitors or otherwise) that the transactions set out in paragraphs 1, 2 and 5(a) of Schedule 13 have been completed;
 - (h) evidence (by way of certificate of the Sellers' Solicitors or otherwise) of satisfaction of the Sellers' obligations under Schedule 6; and
 - (i) an acknowledgment of receipt of the documents delivered by the Purchaser to the Sellers at Completion.

SCHEDULE 8
LIST OF GUARANTEES

PART I

1. None.

PART II

1. Support Letter from Genworth Financial, Inc. to the Guernsey Financial Services Commission regarding Financial Insurance Guernsey PCC Limited, dated 21 March 2005

SCHEDULE 9
LITIGATION SUPPORT

1. **ASSISTANCE**

- 1.1 Following Completion, the Purchaser shall use reasonable endeavours to procure that the Target Group provides the Sellers' Group with all assistance reasonably requested in connection with the Arbitration, and any related arbitrations, settlement, appeals or other proceedings, whether between the same parties or other parties (the "**Proceedings**," and such assistance, the "**Assistance**").
- 1.2 The Assistance shall include, without limitation, the following:
- (a) providing members of the Sellers' Group and their professional advisers with access to relevant directors and employees of the Target Group;
 - (b) making relevant directors and employees of the Target Group reasonably available for the purposes of providing witness statements or other statements required in the conduct of legal proceedings and for the purposes of attending relevant hearings in person, including, without limitation, making the following individuals reasonably available for consultation with Sellers' counsel and to act as a witness or otherwise participate in any relevant arbitration, litigation or other proceedings in Mexico: Lila Lopez, Alberto Maldonado Cruz and James Rember;
 - (c) providing members of the Sellers' Group and their professional advisers with reasonable access to all relevant information, documents and records in the possession or control of the Target Group including information, documents and records relating to financial and other performance, insurance and reinsurance claims and profit share information; and
 - (d) cooperating with Sellers' Group in connection with, and using reasonable endeavours to, secure the cooperation and participation of the following individuals: Luz Solana and Jesus Nieto.
- 1.3 The Purchaser shall use reasonable endeavours to procure that the Assistance is performed to a standard that is as high as the standard of the assistance currently being provided by the Target Group to the Sellers' Group in connection with the Proceedings as at the date of this Agreement.
- 1.4 The Purchaser shall use reasonable endeavours to procure that the Target Group continues to provide the Assistance until such time as all rights and obligations of the Sellers' Group under the Proceedings have been terminated or discharged, and all disputes relating thereto definitively determined, compromised, settled or otherwise discontinued.
- 1.5 Nothing in this Schedule 9 shall require the Target Group or the Purchaser's Group to take any action in contravention of Applicable Law.

2.

COSTS

The Sellers shall procure that all out-of-pocket costs, expenses and liabilities reasonably incurred in providing the Assistance by any members of the Target Group or of the Purchaser's Group shall be reimbursed by the Sellers' Group, subject to the receipt of reasonably satisfactory evidence of their having been incurred and the amounts incurred.

SCHEDULE 10
TAX COVENANT

1. **INTERPRETATION**

1.1 In this Schedule the following definitions shall have the following meanings:

“**Accounting Period**” means any period by reference to which any income, profits or gains, or any other amounts relevant for the purposes of Tax, are measured or determined;

“**Actual Tax Liability**” means a liability of a Target Group Company to make or suffer an actual payment of Tax;

“**Accounts Relief**” means a Relief to the extent: (i) it was taken into account in computing (and so reducing or eliminating) any provision, reserve or accrual in respect of deferred Tax in the Final Balance Sheet; or (ii) it was included as an asset in the Final Balance Sheet;

“**Deemed Tax Liability**” means (a) the use or set off of any Purchaser’s Relief in circumstances where, but for such use or set off, a Target Group Company would have had an Actual Tax Liability in respect of which the Purchaser would have been able to make a claim against the Sellers under this Schedule (the amount of the Tax Liability for these purposes being deemed to be equal to the amount of the Actual Tax Liability that is saved by the use or set off of the Purchaser’s Relief); provided that for the purposes of this Schedule it shall be assumed that Reliefs other than any Purchaser’s Relief are, to the extent allowed by Applicable Law, used or set off in priority to any Purchaser’s Relief, and if it cannot be determined whether a Purchaser’s Relief or another Relief is so used or set off, it shall be assumed that another Relief is so used or set off in priority to any Purchaser’s Relief) and (b) the loss or extinguishment of any Accounts Relief;

“**Excess E**” means those Reliefs which would be taken into account as adjusted BLAGAB management expenses in accordance with section 76 FA 2012 in future accounting periods were an accounting period to end at Completion, whether they would be taken into account in the future periods in accordance with section 73 or 93 FA 2012, in accordance with section 79 FA 2012, or otherwise in accordance with the Corporation Tax Acts;

“**Event**” means any act, transaction or omission including any deemed to occur for any Tax purpose;

“**GPA**” means the group payment arrangement with HMRC entered into on 25 May 2004 of which FIGSL is the nominated company;

“**HMRC**” means HM Revenue & Customs;

“**Overprovision**” means (except (for the avoidance of doubt) to the extent it arises in respect of the use or set-off by a Target Group Company or a Purchaser’s Group

Company of any Excess E): (a) applying the accounting policies, principles and practices adopted in relation to the preparation of the Final Balance Sheet (and ignoring the effect of any change in law made or action taken by the Purchaser or a Target Group Company after Completion, or any Purchaser's Relief), the amount by which any provision or reserve in the Final Balance Sheet relating to Tax is overstated; or (b) the amount by which any liability to Tax of a Target Group Company or any person connected with a Target Group Company has been reduced or extinguished as a result of the utilisation of any Seller's Relief provided that if the Seller's Relief is a deduction from or offset against income, profits or gains, the amount of the Overprovision shall be a sum equal to the amount by which a liability to Tax may be decreased by the use of that Seller's Relief;

"Pre-Completion Tax Affairs" means the Tax affairs of a Target Group Company for which the Sellers are responsible under paragraph 12;

"Purchaser's Relief" means any Relief arising to:

- (a) a Target Group Company to the extent that it either is an Accounts Relief or arises in respect of an Event occurring or period commencing after Completion; or
- (b) any member of the Purchaser's Group (other than a Target Group Company);

"Relief" includes, unless the context otherwise requires, any allowance, credit, deduction, exemption or set off in respect of any Tax or relevant to the computation of any income, profits or gains for the purposes of any Tax, or any right to or actual repayment of or saving of Tax, and any reference to the use or set off of Relief shall be construed accordingly;

"Seller's Relief" means any Relief (other than Accounts Relief, Excess E and (for the avoidance of doubt) Purchaser's Relief) arising to a Target Group Company as a result of an Event occurring on or before Completion or in respect of a period on or before Completion;

"Surrender" means:

- (a) the surrender of losses or other amounts eligible for group relief in accordance with Part 5 of the CTA 2010; and/or
- (b) the notional transfer of any asset or reallocation of a gain or loss in accordance with section 171A or section 179A of the TCGA; and/or
- (c) the surrender of eligible unrelieved foreign tax (EUFT) in accordance with The Double Taxation Relief (Surrender of Relievable Tax Within a Group) Regulations 2001 (S.I. 2001 No. 1163);
- (d) any reallocation of a chargeable realisation gain in accordance with section 792 of the UK Corporation Tax Act 2009; and/or

(e) any equivalent of any of (a) to (d) above under the laws of a jurisdiction other than the United Kingdom;

“**Tax Claim**” means:

(a) the issue of any notice, demand, assessment, letter or other document by or on behalf of any Taxation Authority or the taking of any other action by or on behalf of any Taxation Authority (including the imposition, or any document referring to the possible imposition, of any withholding of or on account of Tax); or

(b) the preparation or submission of any notice, return, assessment, letter or other document by the Purchaser, a Target Group Company, or any other person, from which it appears that a Tax Liability may be incurred by or may be imposed on a Target Group Company, being a Tax Liability which could give rise to a liability for the Sellers under this Schedule or in respect of a breach of any Tax Warranty;

“**Tax Documents**” means the Tax Returns, claims and other documents which the Sellers are required to prepare on behalf of a Target Group Company under paragraphs 12.1(a) and 12.1(b);

“**Tax Liability**” means an Actual Tax Liability or a Deemed Tax Liability;

“**TCGA**” means the UK Taxation of Chargeable Gain Act 1992;

“**Time Limit**” means the latest date on which a Tax Document can be filed or delivered to a relevant Taxation Authority either without incurring interest or a penalty, or in order to ensure that such Tax Document is effective;

“**Tax Return**” means any return required to be made to any Taxation Authority of income, profits or gains or of any other amounts or information relevant for the purposes of Tax, including any related accounts, computations and attachments; and

“**Transfer Taxes**” means any transfer, documentary, real estate, sales, use, stamp, registration and transaction tax and other similar such taxes (including any penalty, fine, surcharge, interest, charges or additions to taxation payable in relation to any such taxes).

1.2 In this Schedule:

(a) section 1122 of the CTA 2010 is to apply to determine whether a person is connected with another;

(b) the headings in this Schedule shall not affect its interpretation;

(c) references to claims, liabilities or payments under this Schedule shall include, for the avoidance of doubt, claims, liabilities and payments in respect of a breach of any Tax Warranty;

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- (d) for the purposes of determining whether:
- (i) a Tax Liability or Relief has arisen, or
 - (ii) a Target Group Company is or becomes entitled to a right to repayment or receives an actual repayment of Tax,
- in either case, in respect of a period ended on or before a particular time or in respect of a period commencing after a particular time, an accounting period of a Target Group Company shall be deemed to have ended at such time;
- (e) references to income, profits or gains earned, accrued or received shall include income, profits or gains which are deemed to have been earned, accrued or received for the relevant Tax purpose;
- (f) for the purposes of determining whether:
- (i) any income, profits or gains have been earned, accrued or received, or
 - (ii) an Event has occurred,
- in either case, on or before a particular time or after a particular time, an accounting period of the relevant Target Group Company shall be deemed to have ended at such time; and
- (g) references to any Tax Liability arising in respect of or in consequence of any income, profits or gains earned, accrued or received on or before Completion shall, for the avoidance of doubt, include any Actual Tax Liability in respect of a gain arising from an Event occurring before Completion where the Tax on such gain is spread over future accounting periods under section 212 TCGA or other provisions having a similar effect.
- 1.3 Where any payment is due to the Sellers under this Schedule, the Sellers shall be entitled to direct the Purchaser to make such payment to such Seller or Sellers, and in such amount or amounts, as the Sellers may (in their sole discretion) require.

2. COVENANT

2.1 Subject to the provisions of this Agreement, the Sellers hereby jointly and severally covenant with the Purchaser to pay to the Purchaser an amount equivalent to:

- (a) any Actual Tax Liability arising in respect of or in consequence of:
 - (i) any income, profits or gains earned, accrued or received on or before Completion; and
 - (ii) any Event which occurred on or before Completion;
- (b) any Actual Tax Liability or any amount on account of Tax which the Purchaser or any Target Group Company is required to pay arising in respect of, by reference to or in consequence of a failure by a Sellers' Group Company to discharge any Tax;

- (c) any Actual Tax Liability arising as a result of or in consequence of a Target Group Company ceasing to be taxed on an I minus E basis as a result of or in consequence of an Event occurring on or before Completion;
- (d) any Actual Tax Liability arising in respect of or in consequence of the Cayman Loan Notes exchange for Genworth Financial European Group Holdings Limited common stock and ultimate extinguishment;
- (e) any Actual Tax Liability arising in respect of or in consequence of: (i) termination of any section 953(d) election relating to Financial Insurance Guernsey PCC Limited by the Sellers on or before Completion, or (ii) termination of any section 953(d) election as a result of change of ownership of Financial Insurance Guernsey PCC Limited (direct or indirect) on or before Completion, or (iii) any income arising to Financial Insurance Guernsey PCC Limited from any arrangement entered into prior to Completion being subject to U.S. federal income Tax in the period from Completion to the end of the calendar year in which Completion takes place, or (iv) income, profits or gains of Financial Insurance Guernsey PCC Limited earned, accrued or received on or before Completion or (v) termination of the Sunshine Contracts as contemplated in paragraph 1.1 of Schedule 6;
- (f) any Actual Tax Liability arising on or before Completion that would not have arisen but for the transfer of shares in Financial Insurance Guernsey PCC Limited as contemplated by paragraph 1.2 of Schedule 6 (transfer of Financial Insurance Guernsey PCC Limited);
- (g) any Deemed Tax Liability,

together with any costs and expenses referred to in paragraph 5.

- 2.2 For the avoidance of doubt, paragraph 2.1 (a), (b) and (c) above shall not apply to any Tax Liability arising in respect of any income, profits or gains earned, accrued or received after Completion (whether or not as a result of an Event which occurred on or before Completion), or any Event occurring or deemed to occur after Completion.

3. EXCLUSIONS

- 3.1 The covenants contained in paragraph 2.1 shall not cover any Tax Liability to the extent that:

- (a) provision or reserve in respect of that Tax Liability has been made in the Final Balance Sheet (or the Tax Liability forms an identifiable part of such a provision or reserve); or
- (b) the Tax Liability was paid or discharged before Completion; or

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- (c) the Tax Liability would not have arisen but for: (i) an Event, action or omission on or before Completion carried out at the written request of the Purchaser; or (ii) an Event, act or omission of the Purchaser, a Target Group Company or any other member of the Purchaser's Group after Completion where such Event, act or omission was carried out or effected by the Target Group Company concerned outside the ordinary course of business of the Target Group Company at Completion and not carried out or effected by the Target Group Company concerned pursuant to an obligation legally binding on the relevant Target Group Company entered into before Completion, provided (for the avoidance of doubt) that the restriction in paragraph 2.1(xx) of Schedule 6 shall not constitute or give rise to an Event, action or omission to which this sub-paragraph (c) applies; or
 - (d) the Tax Liability arises as a result of any change in rates of Tax made after the Offer Date or of any change in law (not including a change in interpretation on the basis of case law), regulation, directive or requirement, or the published practice of any Taxation Authority, occurring after the Offer Date provided that a change arising from the application or interpretation of Skandia shall not be treated as a change within this paragraph; or
 - (e) the Tax Liability comprises interest or penalties arising by virtue of an underpayment of Tax prior to Completion, insofar as such underpayment would not have been an underpayment but for a bona fide estimate made prior to Completion of the amount of income, profits or gains to be earned, accrued or received after Completion proving to be incorrect, or but for any other event or events occurring after Completion; or
 - (f) the Tax Liability arises as a result of a change after Completion in the length of any Accounting Period of a Target Group Company, or (other than a change which is necessary in order to comply with the law or generally accepted accounting principles applicable to the relevant Target Group Company at Completion) a change after Completion in any accounting policy or Tax reporting practice of a Target Group Company; or
 - (g) the Tax Liability arises as a result of a Target Group Company failing to submit the returns and computations required to be made by it or not submitting such returns and computations within the appropriate Time Limits or submitting such returns and computations otherwise than on a proper basis, in each case after Completion and otherwise than as a result of any default or failure of the Sellers in carrying out their obligations under paragraph 12; or
 - (h) the Tax Liability arises or is increased as a result of the unreasonable delay or failure of the Purchaser or (after Completion) a Target Group Company to comply with any of any of its obligations contained in paragraphs 9, 12 or 13 hereof; or
 - (i) any Relief other than a Purchaser's Relief is available (or would have been available but for any act or omission post Completion), or is for no consideration made available, to a Target Group Company to set against or otherwise mitigate

the Tax Liability (and so that (i) any Relief that is so available (or would have been so available but for any act or omission post Completion) in relation to more than one Tax Liability to which this Schedule applies shall be deemed, so far as possible, to be used in such a way as to reduce to the maximum extent possible the Sellers' total liability hereunder and (ii) the Sellers may at their expense require the auditors for the time being of a Target Group Company to certify the extent to which any Reliefs are so available (or would have been so available but for any act or omission post Completion) and to which this paragraph 3.1(i) may apply); or

- (j) the Tax Liability would not have arisen but for:
 - (i) the making of a claim, election, surrender or disclaimer, the giving of a notice or consent, or the doing of any other thing under the provisions of any enactment or regulation relating to Tax, in each case after Completion and by the Purchaser, a Target Group Company or any person connected with any of them and otherwise than at the direction of the Sellers pursuant to paragraph 12 and which the Purchaser knew or ought reasonably to have known would give rise to the liability; or
 - (ii) the failure or omission on the part of a Target Group Company after Completion otherwise than at the direction of the Sellers pursuant to paragraph 12 to make any such valid claim, election, surrender or disclaimer, or to give any such notice or consent or to do any other such thing, where the making, giving or doing of which was taken into account in the preparation of the Final Balance Sheet; or
- (k) the Tax Liability is a liability to Tax comprising interest, penalties, charges or costs in so far as attributable to the unreasonable delay or default of the Purchaser or a Target Group Company after Completion; or
- (l) the Tax Liability arises in respect of, by reference to or in consequence of either the sale of an asset or any other Event (including the expiry of a time period) occurring at any time after Completion which causes the realisation of a chargeable gain or other income, profits or gains by a Target Group Company other than to the extent such chargeable gain or other income, profit or gain arise as a result of a previous transfer of such asset (or any asset from which such asset derives) between members of the Sellers Group; or
- (m) the Tax Liability has been made good by insurers or otherwise compensated for without cost to the Purchaser or a Target Group Company; or
- (n) the Tax Liability arises or is increased as a consequence of a Target Group Company becoming associated with any other company or companies at or following Completion (provided that, for the avoidance of doubt, if the Tax Liability arises from a Target Group Company ceasing to be associated with the Sellers' Group this paragraph (n) shall not apply); or

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- (o) any income, profits or gains to which the Tax Liability is attributable were actually earned or received by or actually accrued to a Target Group Company but were not reflected in the Final Balance Sheet; or
 - (p) the Tax Liability would not have arisen but for a cessation, or any change in the nature or conduct, of any trade carried on by a Target Group Company at Completion, to the extent that such cessation or change occurs on or after Completion; or
 - (q) an amount equal to the Tax Liability has been compensated, reimbursed or otherwise paid by the Sellers to the Purchaser pursuant to clause 8; or
 - (r) the Tax Liability arises or is increased as a consequence of the unwinding or termination by Financial Insurance Guernsey PCC Limited of any Retrocession Agreement (for the avoidance of doubt, not including the Sunshine Contracts) after Completion at any time prior to the time such Retrocession Agreement would have terminated in accordance with its terms but for such unwinding or termination; or
 - (s) such Tax Liability arises in respect of or in consequence of any income, profits or gains earned, accrued or received after Completion and which would not have arisen but for any Event, act or omission of the Purchaser, a Target Group Company or any other member of the Purchaser's Group after Completion in respect of or in connection with Financial Insurance Guernsey PCC Limited.
- 3.2 The Sellers shall have no liability to the Purchaser under this Agreement (including pursuant to any Warranty Claim) in respect of any non-availability, inability to use, or loss or restriction of any deferred tax asset or other Relief ("failure of Relief") where such failure of Relief does not give rise to a Tax Liability to which paragraph 2.1 applies save where the Relief is a Purchaser's Relief.
- 3.3 The provisions of paragraph 3.1 shall also operate to limit or reduce the liability of the Sellers in respect of claims under the Tax Warranties.
- 3.4 The provisions of Schedule 5 to this Agreement (Limitations on Liability) shall, where provided in that Schedule, also apply to limit or reduce the liability of the Sellers under this Schedule (as well as under the Tax Warranties).
- 3.5 The Sellers shall have no liability to the Purchaser under this Agreement for or in respect of Tax save for solely in respect to any claim under this Schedule or for breach of any Tax Warranty or breach of the Warranties in paragraph 2.5 of Schedule 4.
- 3.6 Paragraphs 3.1(c) - (j) and (l) - (q) and 3.4 (other than with respect to paragraph 4 of Schedule 5) shall not apply to limit the liability of the Sellers under paragraph 2.1(d), (e) or (f), save that paragraph 3.1(j)(i) shall apply to limit the liability of the Sellers under paragraph 2.1(e)(iv). Paragraph 3.1(s) shall not apply to limit the liability of the Sellers except under paragraph 2.1(e)(iii).

4. **OVERPROVISIONS**

- 4.1 The Sellers may at any time up to the date which is one (1) month after the date on which the Purchaser Tax Claim Period expires, require the auditors for the time being of a Target Group Company to certify the existence and amount of any Overprovision and the Purchaser shall provide, or procure that the relevant Target Group Company provides, any information or assistance required for the purpose of production by the auditors of a certificate to that effect.
- 4.2 Subject to paragraphs 4.4 and 4.5 below:
- (a) the amount of any Overprovision shall first be set against any payment then due from the Sellers under this Schedule or for breach of a Tax Warranty;
 - (b) to the extent there is an excess, a payment shall promptly be made to the Sellers equal to the aggregate of any payment or payments previously made by the Sellers under this Schedule or for breach of a Tax Warranty up to the amount of such excess; and
 - (c) to the extent that there is any remaining excess, the amount shall be carried forward to set against future claims under this Schedule or under a Tax Warranty.
- 4.3 Either the Sellers or the Purchaser may, at their own expense, require any certificate produced in accordance with paragraph 4.1 above to be reviewed by the auditors for the time being of a Target Group Company in the event that there are relevant circumstances or facts of which it was not aware, and which were not taken into account, at the time when such certificate was produced, and to certify whether the certificate remains correct or whether it should be amended.
- 4.4 If following a request under paragraph 4.1 the certificate is amended, the revised amount of the Overprovision shall be substituted for the purposes of paragraph 4.2, and any adjusting payment that is required shall be made forthwith.
- 4.5 For the purposes of this paragraph, any Overprovision shall be determined without regard to any Tax Refund to which paragraph 7 applies or any payment or Relief to which paragraph 11 applies.

5. **COSTS AND EXPENSES**

The covenant contained in paragraph 2.1 of this Schedule shall extend to all reasonable out-of-pocket costs and expenses reasonably and properly incurred by the Purchaser in connection with a successful claim made under this Schedule.

6. **DOUBLE RECOVERY**

The Purchaser shall not be entitled to recover any amount pursuant to this Schedule in respect of any claim to the extent that the Purchaser or a Target Group Company has already recovered any amount in respect of such claim under the Warranties or under any

other provision of this Agreement or pursuant to any other agreement with the Sellers or any Target Group Company connected with either Seller, or to the extent that recovery has already been made under this Agreement in respect of the same subject matter.

7. **TAX REFUNDS**

7.1 The Purchaser shall notify the Sellers as soon as possible of any right to receive or actual receipt of any amount by way of repayment of Tax or interest on overpaid Tax or repayment supplement, being an amount to which a Target Group Company is or becomes entitled or receives (other than any right to receive or actual receipt of such amount to the extent it arises in respect of the use or set-off by a Target Group Company or a Purchaser's Group Company of any Excess E) at any time up to the date which is one (1) month after the date on which the Purchaser Tax Claim Period expires in respect of an Event occurring or period (or part period) prior to Completion where (or to the extent that) such amount was not included in the Final Balance Sheet as an asset, does not arise from the use of a Purchaser's Relief and is not a payment or Relief to which paragraph 11 below applies (a "**Tax Refund**"). The Purchaser shall take (or shall procure that the relevant Target Group Company takes) such action as the Sellers may reasonably request to obtain such Tax Refund (keeping the Sellers fully informed of the progress of any action taken and providing them with copies of all relevant correspondence and documentation).

7.2 Any Tax Refund actually obtained after Completion, whether by repayment or set off (less any reasonable costs of obtaining such Tax Refund) shall be dealt with as follows:

- (a) the amount of the Tax Refund shall be set against any payment then due from the Sellers under this Schedule or for breach of a Tax Warranty;
- (b) to the extent that there is an excess, a payment shall promptly be made to the Sellers equal to the aggregate of any payment or payments previously made by the Sellers under this Schedule or for breach of a Tax Warranty up to the amount of such excess; and
- (c) to the extent that there is any remaining excess, the amount shall be carried forward to set against any future claims under this Schedule or for breach of a Tax Warranty.

7.3 Paragraph 11.6 shall apply in respect of any sum payable to the Sellers under this paragraph 7 which is not paid within 5 Business Days of the relevant Tax Refund being obtained by the relevant Target Group Company (the "**Tax Due Date**") as it applies to any sum not paid by the Purchaser on the due date of payment specified in paragraph 11.4.

8. **SECONDARY LIABILITIES**

8.1 The Purchaser covenants with the Sellers to pay to the Sellers an amount equivalent to any Tax or any amount on account of Tax which any member of the Sellers' Group is required to pay in respect of, by reference to or in consequence of a failure by a Target Group Company, or any person connected with a Target Group Company, to discharge that Tax.

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- 8.2 The Purchaser further covenants with the Sellers to pay to the Sellers an amount equivalent to any Tax which any member of the Sellers' Group is required to pay as a result of any action taken in breach of paragraphs 12.4(c) or 13.9.
- 8.3 The covenants contained in paragraphs 8.1 and 8.2 shall:
- (a) extend to any reasonable out-of-pocket costs and expenses reasonably and properly incurred by the Sellers in connection with a successful claim made in connection with paragraphs 8.1 (as the case may be);
 - (b) (in the case of paragraph 8.1) not apply to Tax to the extent that the Purchaser could claim payment in respect of it under paragraph 2.1, except to the extent a payment has been made pursuant to paragraph 2.1 and the Tax to which it relates was not paid by or on behalf of a Target Group Company; and
 - (c) not apply to Tax to the extent it has been recovered whether under any relevant statutory provision or otherwise (and the Purchaser or the Sellers, as the case may be, shall procure that no such recovery is sought to the extent that payment is made hereunder).
- 8.4 Paragraphs 9.1, 9.5, 9.6 and 10 (Notification of Claims, Conduct of Disputes and Due Date of Payment and Interest) shall apply to the covenants contained in paragraph 8.1 as they apply to the covenants contained in paragraph 2.1, replacing references to the Sellers by the Purchaser (and vice versa) where appropriate, and making any other necessary modifications.

9. **NOTIFICATION OF CLAIMS AND CONDUCT OF DISPUTES**

- 9.1 If the Purchaser or a Target Group Company becomes aware of any Tax Claim or other matter which could result in a liability for the Sellers under this Schedule or in respect of a breach of any Tax Warranty, the Purchaser shall give notice to the Sellers of that Tax Claim or matter (including reasonably sufficient details of such Tax Claim or matter, the due date for any payment and the Time Limits for any appeal, and so far as practicable the amount involved) as soon as reasonably possible (and in a case involving a time limit for making an appeal or otherwise meeting a formal time limit or deadline, not less than twelve (12) Business Days before the deadline for making the appeal or otherwise meeting the formal time limit or deadline).
- 9.2 Subject to the Sellers agreeing to pay the reasonable costs of the Purchaser and Target Group Company, the Purchaser shall take (or procure that any relevant Target Group Company shall take) such action as the Sellers may reasonably request to avoid, dispute, resist, appeal, compromise or defend a Tax Claim.

9.3 In dealing with any Tax Claim, the Purchaser shall:

- (a) keep the Sellers fully informed of all material actual or proposed developments known to it or its professional advisers concerning the relevant proceedings;
- (b) promptly notify the Sellers of any intended oral communication or any meeting with a relevant Taxation Authority in relation to the relevant proceedings, including details of the proposed agenda (and a summary of the position proposed to be taken in relation to the points on such agenda) and allow the Sellers or their professional advisers to fully participate in any such communication or meeting insofar as they relate to the relevant proceedings;
- (c) promptly provide the Sellers with copies of or extracts from all material documents (including copies of any notes relating to any material oral communication or meeting in (b) above) and material correspondence insofar as they relate to the relevant proceedings;
- (d) so far as reasonably practicable and at least ten (10) Business Days prior to the date of any intended submission, provide to the Sellers for prior review any material document or material correspondence related to the relevant proceedings which is to be submitted to the relevant Taxation Authority and make such amendments to such documents or correspondence as the Sellers may reasonably require; and
- (e) subject to prior approval by the Sellers (not to be unreasonably withheld or delayed), be entitled to appoint such person or persons to deal directly with the relevant Taxation Authority,

provided, for the avoidance of doubt, that nothing in this paragraph 9.3 shall oblige the Purchaser to disclose commercially sensitive information to the Sellers to the extent they relate to matters other than the relevant proceedings.

9.4 The Purchaser shall procure that no Tax Claim, action or issue in respect of which the Sellers could be required to make a payment under this Schedule or in respect of a breach of any Tax Warranty is settled or otherwise compromised without the Sellers' prior written consent, such consent not to be unreasonably withheld or delayed, and the Purchaser shall, and shall procure that any Target Group Company and any of their respective advisers shall, not submit any material correspondence or return or send any other material document to any Taxation Authority where the Purchaser or any such person is aware that the effect of submitting such correspondence or return or sending such document would or could be to put such Taxation Authority on notice of any matter which could give rise to, or could increase, a claim under this Schedule or in respect of a breach of any Tax Warranty, without first affording the Sellers a reasonable opportunity to comment thereon and without making such amendments as may be reasonably requested by the Sellers.

9.5 Nothing in this clause 9 shall oblige the Purchaser or any Target Group Company to:

- (a) do anything which the Purchaser reasonably considers to be contrary to Applicable Law; and/or

- (b) do anything which could reasonably be expected to either give rise to or increase a liability to Tax or result in a loss, reduction, non-availability or deferral of any Purchaser's Relief for or by the Purchaser or a Target Group Company (a "**Consequential Tax Liability**") in circumstances where the Seller has not agreed fully to indemnify the Purchaser or Target Group Company (as applicable) against such Consequential Tax Liability; and/or
- (c) take any action if the Purchaser is able to demonstrate (acting reasonably and in good faith) that to do so would have material adverse Tax consequences for the Purchaser or any member of the Target Group in circumstances where the Seller has not agreed fully to indemnify the Purchaser or Target Group Company (as applicable) against such material adverse Tax consequences; and/or
- (d) take any action to the extent that it could reasonably be expected to involve a Target Group Company contesting any Tax Claim before any court or other appellate body (excluding the Taxation Authority which has made the Tax Claim) unless Tax counsel (of at least ten (10) years' experience) appointed by agreement between the Sellers and the Purchaser and instructed jointly by the Sellers and the Purchaser opines, in writing, that such appeal is more likely to succeed than not.

10. **DUE DATE OF PAYMENT AND INTEREST**

- 10.1 Subject to paragraph 10.2 the Sellers shall pay to the Purchaser any amount payable under this Schedule on or before the date which is the later of the date ten (10) Business Days after demand is made therefore by the Purchaser and two (2) Business Days before the first date on which the Tax in question becomes recoverable by the Taxation Authority demanding the same. Provided that:
- (a) if the date on which the Tax can be recovered is deferred following application to the relevant Taxation Authority, the date for payment by the Sellers shall be two (2) Business Days before such later date when the amount of Tax is finally and conclusively determined; and
 - (b) if a payment or payments to the relevant Taxation Authority prior to the date otherwise specified by this paragraph would avoid or minimise interest or penalties, the Sellers may at their option pay the whole or part of the amount due to the Purchaser on an earlier date or dates, and the Purchaser shall procure that the tax in question (or the appropriate part of it) is promptly paid to the relevant Taxation Authority.
- 10.2 The Sellers may, with the Purchaser's consent, not to be unreasonably withheld or delayed, make a direct payment in respect of the Tax Liability in question to the relevant Taxation Authority (including through use of certificates of Tax deposit or the equivalent) and the Sellers' liability to the Purchaser shall be treated as reduced or eliminated accordingly.
- 10.3 Where a claim under this Schedule relates to the use or set off of a Purchaser's Relief, the Sellers shall pay to the Purchaser the amount due under this Schedule in respect thereof on the date which is two (2) Business Days before the first date on which Tax would have been payable but for the use or set off of the Purchaser's Relief.

- 10.4 Any sum not paid by the Sellers on the due date for payment specified in paragraph 10.1 or 10.2 shall bear interest (which shall accrue from day to day after as well as before any judgment for the same) at a rate of 2 per cent. per annum over the base rate of the Bank of England from the due date to and including the day of actual payment of such sum, provided that such interest shall not accrue to the extent that the Sellers' liability under paragraph 2.1 or paragraph 5 extends to interest or penalties arising after the due date. Any interest due under this paragraph shall be paid on the demand of the Purchaser on or following the date of payment of such sum.
11. **RECOVERY FROM THIRD PARTIES/TAX SAVINGS**
- 11.1 Paragraph 11.2 shall apply to recovery from third parties and paragraph 11.3 shall apply to Tax savings.
- 11.2 Subject to this paragraph 11, in circumstances where the Sellers have made a payment to the Purchaser under this Schedule or in respect of a breach of any Tax Warranty, in either case, in connection with a Tax Liability or other matter and the Purchaser, a Target Group Company or any other member of the Purchaser's Group either receives, or is or may be entitled to recover, from any person (other than the Purchaser, a Target Group Company or any other member of the Purchaser's Group) a payment in respect of that Tax Liability or other matter at any time up to the date which is one (1) month after the date on which the Purchaser Tax Claim Period ends, then:
- (a) upon the Purchaser and/or a Target Group Company becoming so aware, the Purchaser shall notify the Sellers of that fact as soon as reasonably possible and if so required by the Sellers shall (subject to the relevant Target Group Company being indemnified to the reasonable satisfaction of the Purchaser against any costs which may be thereby incurred by the relevant Target Group Company acting reasonably) take (or shall procure that the relevant Target Group Company or any person connected with either the Purchaser or the relevant Target Group Company shall take) such action as the Sellers may reasonably request to enforce recovery of such payment (keeping the Sellers fully informed of the progress of any material action taken and providing it with copies of all material correspondence and documentation); and
 - (b) if the Purchaser, the relevant Target Group Company or any other member of the Purchaser's Group receives a payment in respect of the relevant Tax Liability or other matter (including by way of credit or set-off), the Purchaser shall pay to the Sellers in accordance with paragraph 11.4 below a sum equal to the payment so recovered (less (x) any Tax actually suffered thereon and (y) any reasonable costs of recovering such payment).
- 11.3 Subject to this paragraph 11, where the Sellers have made a payment to the Purchaser under this Schedule or in respect of a breach of any Tax Warranty, in either case, in

connection with a Tax Liability or other matter and the Purchaser, any Target Group Company or other member of the Purchaser's Group receives, or is or may be entitled to obtain at any point up to the date which is one (1) month after the date on which the Purchaser Tax Claim Period expires, a payment or Relief in respect of that Tax Liability or other matter which would not have arisen but for the Tax Liability or other matter in question or the circumstances giving rise thereto (including in circumstances where a Tax Liability arises because a deduction or other Relief assumed to be available in preparing the Final Balance Sheet is in fact available only in a subsequent period or periods), then:

- (a) the Purchaser shall notify the Sellers of that fact as soon as reasonably possible and if so required by the Sellers shall (subject to the relevant Target Group Company being indemnified to the reasonable satisfaction of the Purchaser against any costs which may be thereby incurred by the relevant Target Group Company acting reasonably) take (or shall procure that the relevant Target Group Company or any other member of the Purchaser's Group shall take) such action as the Sellers may reasonably request to obtain such payment or Relief (keeping the Sellers fully informed of the progress of material any action taken including the provision of copies of all material correspondence and documentation; and
- (b) if the Purchaser, any Target Group Company or any other member of the Purchaser's Group receives or obtains a payment or Relief, the Purchaser shall pay to the Sellers in accordance with paragraph 11.4 below a sum equal to the amount that the Purchaser, the relevant Target Group Company or such other member of the Purchaser's Group saves by virtue of the payment or the Relief (less (x) any Tax actually suffered thereon and (y) any reasonable costs of obtaining such payment or Relief).

11.4 Any payment required to be made by the Purchaser pursuant to paragraphs 11.2 and 11.3 shall be made:

- (a) in a case where the Purchaser, any Target Group Company or any other member of the Purchaser's Group receives a payment, within five (5) Business Days of the receipt thereof; and
- (b) in a case where the Purchaser, any Target Group Company or any other member of the Purchaser's Group obtains a Relief, on or before the date on which Tax would have become recoverable by the appropriate Taxation Authority but for the use of such Relief.

11.5 The Purchaser shall procure that any such Relief as is referred to in paragraphs 11.3 and 11.4(b) is used as soon as reasonably practicable, but shall not be obliged to procure it is used in priority to any other Relief. The Sellers shall be entitled to require (at the Sellers' cost) not more than once per year that the auditors of the relevant Target Group Company or other connected person (as the case may be) shall certify the amount and date of use of such relief for the purposes of this paragraph 11. Nothing in this paragraph 11 shall oblige the Purchaser or any Target Group Company to take, or refrain from taking, any action that the Purchaser reasonably considers to be contrary to Applicable Law.

11.6 Any sum not paid by the Purchaser on the due date of payment specified in paragraph 11.4 shall bear interest (which shall accrue from day to day after as well as before any judgment for the same) at a rate per annum equal to the rate of 2 per cent. per annum over the base rate of the Bank of England from the due date to and including the day of actual payment of such sum compounded six monthly. Such interest shall be paid on the demand of the Sellers.

12. **MANAGEMENT OF PRE-COMPLETION TAX AFFAIRS**

Rights and Obligations of the Sellers

12.1 Subject to and in accordance with the provisions of this paragraph, the Sellers or their duly authorised agents shall, in respect of all Accounting Periods ending on or before Completion, and at the cost of the relevant Target Group Company:

- (a) prepare and submit the Tax Returns of each Target Group Company;
- (b) prepare and submit on behalf of each Target Group Company all claims, elections, surrenders, disclaimers, notices and consents for the purposes of Tax; and
- (c) subject to paragraph 9, deal with all matters relating to Tax which concern or affect any Target Group Company, including the conduct of all negotiations and correspondence and the reaching of all agreements relating thereto or to any Tax Documents, but excluding payment of Tax.

12.2 The Sellers or their duly authorised agents shall deliver all Tax Documents which are required to be signed by or on behalf of each Target Group Company to the Purchaser for authorisation and signing. If a Time Limit applies in relation to any Tax Document, the Sellers shall ensure that the Purchaser receives the Tax Document no later than ten (10) Business Days before the expiry of the Time Limit.

12.3 The Sellers shall procure that:

- (a) the Purchaser is kept informed of all material matters relating to the Tax Return referred to in paragraph 12.1 and receives copies of all written correspondence with any Taxation Authority insofar as it is relevant to the Pre-Completion Tax Affairs;
- (b) the Purchaser is afforded the opportunity to comment within a reasonable period of time on any Tax Document prior to its submission to the relevant Taxation Authority and that its reasonable comments are taken into account;
- (c) no Tax Document is submitted to any Taxation Authority which is not, so far as the Sellers are aware, true and accurate in all material respects, and not misleading; and

- (d) the Pre-Completion Tax Affairs are dealt with expediently and sufficient resources are used to agree all relevant matters with Taxation Authorities as soon as reasonably possible.

Rights and obligations of the Purchaser

- 12.4 The Purchaser shall procure that:
- (a) the Sellers and their duly authorised agents are afforded such access (including the taking of copies) to the books, accounts and records of each Target Group Company and such other assistance as it or they reasonably require to enable the Sellers to discharge their obligations under paragraph 12.1 and 12.2 and to enable the Sellers and any member of the Sellers' Group to comply with their own Tax obligations or facilitate the management or settlement of their own Tax affairs;
 - (b) the Sellers are promptly sent a copy of any communication from any Taxation Authority insofar as it relates to the Pre-Completion Tax Affairs;
 - (c) (except where requested in writing by the Sellers) so far as it relates to Pre-Completion Tax Affairs and/or the Straddle Period, no voluntary action or omission is taken by any Target Group Company or any person connected with any Target Group Company after Completion (whether by disclaiming any Relief, withdrawing or revoking any claim or consent or otherwise) which would or is likely either to prejudice or reduce the availability of any Relief or otherwise to give rise to a claim by the Purchaser under this Schedule or in respect of a breach of any Tax Warranty; and
 - (d) there is given to such person or persons as may for the time being be nominated by the Sellers authority to conduct Pre-Completion Tax Affairs, and that such authority is confirmed to any relevant Taxation Authority.
- 12.5 The Purchaser shall (subject to paragraph 12.6 below) be obliged to procure that each Target Group Company shall cause any Tax Document delivered to it under paragraph 12.2 to be authorised and signed without delay and without amendment, and returned to the Sellers for submission to the appropriate Taxation Authority without delay.
- 12.6 The Purchaser shall be under no obligation to procure the authorisation or signing of any Tax Document delivered to it under paragraph 12.3 which it considers in its reasonable opinion to be false or misleading in a material respect, but for the avoidance of doubt shall be under no obligation to make any enquiry as to the completeness or accuracy thereof and shall be entitled to rely entirely on the Sellers and their agents.
- 12.7 In connection with this paragraph 12, the Sellers shall not make or amend and shall not request the Purchaser or a Target Group Company to (a) make or amend any claim relating to Reliefs that may (i) cause or increase an Actual Liability for which the Sellers may be liable under paragraph 2.1 or (ii) reduce an Accounts Relief or (b) reverse or otherwise amend any application for the surrender of group relief in the event that such reversal or amendment gives rise to an obligation on a Target Group Company to refund any amount paid before Completion in respect of such surrender.

13. **CONDUCT OF OTHER TAX AFFAIRS**

- 13.1 Subject to paragraph 9 and the remainder of this paragraph 13.1, and subject to the following sub paragraphs, the Purchaser or its duly authorised agents shall have sole conduct of all Tax affairs of each Target Group Company which are not Pre-Completion Tax Affairs and shall be entitled to deal with such Tax affairs in any way in which it, in its absolute discretion, considers fit. However, with respect to any VAT and/or PAYE return of the Target Group which is submitted after Completion and which (in whole or part) relates to any period (or part of any period) before Completion, the Purchaser shall procure that such VAT and/or PAYE return shall be prepared and submitted in good faith, and is consistent with the approach taken with respect to such returns that were submitted before Completion.
- 13.2 In respect of any Accounting Period commencing prior to Completion and ending after Completion (the "**Straddle Period**") the Purchaser shall procure that the Tax Returns of each Target Group Company shall be prepared on a basis which is consistent with the manner in which those Tax Returns were prepared for all Accounting Periods ending prior to Completion. Subject to clause 14.2, the Sellers shall procure that (at the Purchaser's cost and expense) the Purchaser and the Target Group Companies and their duly authorised agents are afforded such access (including the taking of copies) to the books, accounts and records (such books, accounts and records being redacted to the extent that they contain any information or document that is not reasonably required by the Purchaser for the purposes of this paragraph 13.2) held by the Sellers or their agents as the Purchaser reasonably requires to enable the Purchaser or the Target Group Companies to discharge their obligations under this paragraph 13 and to enable the Purchaser and the Target Group Companies to comply with their own Tax obligations or facilitate the management or settlement of their own Tax affairs.
- 13.3 The Purchaser shall procure that each Target Group Company provides to the Sellers all Tax Returns for Tax purposes relating to the Straddle Period no later than ten (10) Business Days before the date on which such Tax Returns are required to be filed with the appropriate Taxation Authority without incurring interest or penalties. The Purchaser shall further procure that each Target Group Company shall make such amendments as may be reasonably requested by the Sellers before the Tax Returns are submitted to the appropriate Taxation Authority.
- 13.4 No action taken by the Purchaser under provisions of paragraphs 13.1, 13.2 and 13.3 shall preclude the Purchaser from making a claim under this Schedule or in respect of a breach of any Tax Warranty.
- 13.5 The Sellers and the Purchaser agree to take all reasonable steps to procure that (to the extent relevant) each member of the Sellers' Group is removed (with effect from not later than Completion) from any Tax group (including any UK VAT group) and/or any Tax sharing or Tax payment (including any UK group payment) arrangement of which any

member of the Sellers' Group and any Target Group Company are both members or otherwise subject to, and to provide all reasonable co-operation and assistance (including, to the extent relevant and without limitation, the giving of consents and making of elections) to each other in so doing.

- 13.6 The Sellers shall or shall procure that each member of the Sellers' Group which is or has prior to Completion been a member of any group for the purposes of VAT of which a member of the Target Group is the representative member (a "**VAT Group**") contributes to the representative member of such VAT Group such proportion of any VAT for which the representative member is accountable as is properly attributable to supplies, acquisitions and importations ("**VAT Supplies**") made by each such Seller Group Company whilst a member of such VAT Group (less such amount of deductible input Tax (or any equivalent thereof) as is properly attributable to such VAT Supplies), such contribution to be made in cleared funds on the day which is the later of two (2) Business Days after demand is made therefore, and two (2) Business Days before the day on which the representative member is required to account for such VAT to HM Revenue & Customs or other relevant Taxation Authority. The Purchaser shall pay, or shall procure that there is paid, to the Sellers (on behalf of each relevant Seller Group Company) an amount equivalent to such proportion of any repayment of VAT received by the representative member from any relevant Taxation Authority or of any credit obtained by reference to an excess of deductible input Tax over output Tax (or the equivalents thereof in the relevant jurisdiction) that is properly attributable to VAT Supplies made to and by the relevant Seller Group Companies whilst members of the relevant VAT Group, promptly after its receipt by, or offset against a liability of, the representative member. The Sellers shall provide such information as may be required to enable the representative member to make the returns and provide the information required to be provided for VAT purposes.
- 13.7 The Purchaser shall procure that any member of the Target Group shall, in respect of any time or period falling on or prior to the Completion Date (which for the purposes of this paragraph 13.7 shall include any overlapping period as defined in section 142 of the CTA 2010), make, give or enter into such claims, elections, surrenders, notices or consents (whether unconditional or conditional, whether or not forming part of any other return or Tax document, whether provisional or final, and including amendments to or withdrawals of earlier claims, elections, surrenders, notices or consents, whether or not made before or after Completion) as the Sellers shall direct in connection with any Surrender: (i) by or to any company which is or was a member of the Sellers' Group on or before Completion; and/or (ii) by or to any other member of the Target Group. No payment shall be made in respect of any such Surrender by or to any Target Group Company. In relation to any proposed Surrender by any member of the Target Group, the Purchaser shall not be obliged to procure that such member of the Target Group makes, gives or enters into any claim, election, surrender, notice or consent (a) to the extent that such claim, election, surrender, notice or consent (i) relates to any Purchaser's Relief, or (ii) may reverse or otherwise amend any application for the surrender of group relief in the event that such reversal or amendment gives rise to an obligation on a Target Group Company to refund any amount paid before Completion in respect of such surrender in circumstances where the Sellers have not agreed fully to indemnify such Target Group Company in respect of

such refund, or (b) where as a direct result of such claim, election, surrender, notice or consent any member of the Target Group is required to make an actual payment of Tax in respect of any Accounting Period or part Accounting Period ending on or before Completion.

- 13.8 The Sellers and the Purchaser shall work together to ensure that all Tax groups and other arrangements between the Target Group Companies and the Sellers' Group are terminated from Completion. The Parties shall work together and use reasonable efforts (taking into account any legal, regulatory, Tax and other relevant restrictions and considerations) to seek to ensure that all such Tax groups and other arrangements shall be terminated in a manner which does not give rise to Tax Liability or the reduction or loss of a Purchaser's Relief or other loss, cost expense or liability for a Target Group Company.
- 13.9 In connection with Skandia, the Purchaser shall upon request and at the cost of the Sellers and subject to the Sellers undertaking to preserve confidentiality and legal privilege where applicable:
- (a) promptly keep the Sellers informed of material developments in connection with Skandia which will affect the VAT position of the Target Group in the period prior to Completion for which the Sellers may be liable under this Schedule known to it, any Target Group Company;
 - (b) promptly provide the Sellers with copies of any material documents and/or correspondence (including, without limitation, those produced by a Tax department within the Target Group and any advice or analysis received from any professional adviser), any such documents or correspondence being redacted to the extent that they contain any information or document that is not reasonably required by the Seller for the purposes of this paragraph 13.9, insofar as they relate to the application of Skandia to the Target Group in the period prior to Completion for which the Sellers may be liable under this Schedule;
 - (d) provide the Sellers with notice of any intended meeting with a relevant Taxation Authority in relation to or arising from the application of Skandia (and which is expected to affect the VAT position of the Target Group in the period prior to Completion for which the Sellers may be liable under this Schedule) including details of the proposed agenda (and a summary of the position to be taken in relation to the points on such agenda) and allow the Sellers and/or the Sellers' professional advisers to participate in such meeting;
 - (e) at least ten (10) Business Days prior to the date of any intended submission, provide to the Sellers for prior review any material document or correspondence related to or arising from the application of Skandia (and which is expected to affect the VAT position of the Target Group in the period prior to Completion for which the Sellers may be liable under this Schedule) which is intended to be submitted to a relevant Taxation Authority and make such amendments to such documents or correspondence as the Sellers may, acting in good faith, reasonably require;

- (f) prior to taking any material action, implementing any material decision or finally determining any material issue or position with respect to Skandia and which will impact the VAT position of the Target Group in the period prior to Completion for which the Sellers may be liable under this Schedule, consult (in good faith) with the Sellers as to the nature of the relevant action, decision, issue or position and shall not take such action, implement such decision or finally determine such issue or position without the Sellers written consent (such consent not to be unreasonably withheld or delayed); and
- (g) at all times deal with the application of Skandia in such a manner, and with the objective of ensuring, that so far as reasonably practicable any potential VAT cost to the Target Group (in the period prior to Completion) is mitigated and shall further ensure that no position is taken, decision made or action implemented which could result in a materially worse VAT position for the Target Group in the period prior to Completion than would be the case for all or part of the Purchaser's Group (including the Target Group) in the period following Completion.

13.10 Nothing in this paragraph 13 shall oblige the Purchaser or any Target Group Company to:

- (a) do anything which the Purchaser reasonably considers to be contrary to Applicable Law; and/or
- (b) do anything which could reasonably be expected to either give rise to or increase a Consequential Tax Liability in circumstances where the Seller has not agreed fully to indemnify the Purchaser or Target Group Company (as applicable) against such Consequential Tax Liability; and/or
- (c) take any action if the Purchaser is able to demonstrate (acting reasonably and in good faith) that to do so would have material adverse Tax consequences for the Purchaser or any member of the Target Group in circumstances where the Seller has not agreed fully to indemnify the Purchaser or Target Group Company (as applicable) against such material adverse Tax consequences; and/or
- (d) disclose commercially sensitive information to the Sellers or allow the Sellers access to any discussions with a relevant Taxation Authority to the extent this would not be reasonably required by the Sellers for the purposes of this paragraph 13.10.

save that for the avoidance of doubt, neither (b) nor (c) shall apply with respect to any claim, election, surrender, notice or consent made, given or entered into by any member of the Target Group as directed by the Seller in connection with any Surrender pursuant to paragraph 13.7.

13.11 The Sellers shall or shall procure that each member of the Sellers' Group which is or has prior to Completion been a member of the GPA contributes in cleared funds to FIGSL (the "**Nominated Company**") within two (2) Business Days after demand is made therefore (or, if later, two (2) Business Days before the amount becomes due and payable to HMRC), an amount equal to any installment of corporation tax which is to be or has

been discharged by the Nominated Company on behalf of the relevant member of the Sellers' Group pursuant to the GPA (as certified by the Nominated Company) provided that no such contribution shall be made to the extent that: (a) such contribution was made prior to or at Completion; or (b) the Sellers are not reasonably satisfied that an amount equal to that contribution has been properly apportioned to the relevant member of the Sellers' Group pursuant to the GPA.

13.12 The Purchaser shall:

- (a) procure that the Nominated Company shall pay to HMRC promptly following receipt thereof (or, if later, two (2) Business Days before the relevant amount is due and payable to HMRC) an amount equal to any amount contributed to the Nominated Company by any member of the Sellers' Group pursuant to the GPA in respect of any installment of corporation tax (a "**Contributed Amount**");
- (b) procure that the Nominated Company shall (subject to paragraph 13.12(d) below) apportion to the relevant member of the Sellers' Group each Contributed Amount, such apportionment to be made by reference to the installment or installments of corporation tax in respect of which the Contributed Amount was paid;
- (c) not, without the Sellers' written consent (not to be unreasonably withheld), reapportion any amount previously apportioned to the relevant member of the Sellers' Group pursuant to the GPA; and
- (d) promptly (and in any case within two (2) Business Days of receipt thereof from HMRC) pay, or procure that there is paid, to the relevant member of the Sellers' Group an amount equal to:
 - (i) any excess of any amount contributed to the Nominated Company pursuant to the GPA by such member of the Sellers' Group in respect of any installment of corporation tax over the amount of Tax finally apportioned to that member of the Sellers' Group in respect of that installment; and
 - (ii) interest on such excess at the rate applicable from time to time to overdue corporation tax for the period from the date of contribution to the date of payment pursuant to paragraph 13.12(a) above.

13.13 Notwithstanding any other provision in this Schedule 10, the Purchaser shall provide the Sellers with such information and data as the Sellers may reasonably request in connection with any matter or liability which is the subject of a claim under paragraph 2.1(e)(iii) of this Schedule 10.

14. **TRANSFER TAXES**

All Transfer Taxes incurred in connection with the transactions contemplated in this Agreement (including the sale of the Sale Shares pursuant to this Agreement), if any, shall be paid by the Purchaser, when due, and the Purchaser shall prepare and file all necessary returns and other documentation with respect to such Transfer Taxes.

SCHEDULE 11
REGISTERED OWNED IP

TRADE MARKS

<u>Mark</u>	<u>Location</u>	<u>Registration No.</u>
<i>Currently owned by Genworth Holdings, Inc.; to be transferred to the Target Group on or before Completion</i>		
My Cover	European Community	006481584
My Cover Direct	European Community	006481519
Putts for Charity	European Community	007062921
Putts for Charity and Design	European Community	009092313
Think It Possible	European Community	005857826
Think It Possible	Japan	5116855
Think It Possible	Mexico	1034818
Think It Possible	Norway	242575
Think It Possible	Switzerland	569686
Think It Possible	Taiwan	1342509
<i>Currently owned by Financial Insurance Company Limited</i>		
PLUS QUE L ARGUS AVEC CREDIPAR	France	1642425
PLUS QUE L'ARGUS	France	01 3074239
VIVAPLUS	France	99 810976
DIPLOMA SERENO	Italy	1253362
ESERCENTE SERENO	Italy	1253363
FINANZIAMENTO PROTETTO	Italy	1254588
FINANZIAMENTO SERENO	Italy	1254585
LEASING PROTETTO	Italy	1254586

PRESTITO PROTETTO	Italy	1254583
PRESTITO SERENO	Italy	1254581
PROTEZIONE DEL MUTUO	Italy	1254578
RATA PROTETTA	Italy	1254579
SALDO SERENO	Italy	1254577
SPESE PROTETTO	Italy	1254587
<i>Currently owned by FIGSL</i>		
WORLDCOVER DIRECT and Design	Canada	TMA620,798
<i>Currently owned by GE Skadesforsikring, Filial AF Financial Insurance Company Limited, Engelsk Skadesforsikringselskab (Danemark)</i>		
ØkonomiSikring	Denmark	VR 2000 00466
<i>Currently owned By FIGSL Niederlassung Deutschland (Germany)</i>		
metallpro!	Germany	30643523
existenzschutz!	Germany	30615438
billprotect!	Germany	30615439
jobcare!	Germany	30313476
<i>Currently owned by Financial Insurance Company Limited (Italy)</i>		
FINANZIAMENTO PROTETTO	Italy	887629
RATA PROTETTA	Italy	887628
PRESTITO PROTETTO	Italy	887630
SALDO SERENO	Italy	887952
FINANZIAMENTO SERENO	Italy	887951
PRESTITO SERENO	Italy	887950
SPESE PROTETTE	Italy	887632
LEASING PROTETTO	Italy	887631

PROTEZIONE DEL MUTUO	Italy	887633
ESERCENTE SERENO	Italy	868789
DIPLOMA SERENO	Italy	868790
<i>Currently owned by Financial Assurance Company Limited (UK)</i>		
PLANO DE PROTECÇÃO AO CRÉDITO	Portugal	292939
PROTECÇÃO AO CRÉDITO	Portugal	292941
PROTECÇÃO AOS PAGAMENTOS	Portugal	292940
PROTECÇÃO FINANCEIRA	Portugal	290241
HOMEM CHAVE MAIS	Portugal	290230
PESSOA CHAVE MAIS	Portugal	290232
PLANO DE PROTECÇÃO AO CARTÃO	Portugal	290246
PLANO DE PROTECÇÃO AOS PAGAMENTOS	Portugal	290235
PESSOA CHAVE	Portugal	290231
PROTECÇÃO CONTA ORDENADO	Portugal	290236
PROTECÇÃO AO EMPREGO	Portugal	290242
PROTECÇÃO AO RENDIMENTO	Portugal	290243
PROTECÇÃO HIPOTECÁRIA	Portugal	290233
PLANO DE PROTECÇÃO AO RENDIMENTO	Portugal	290244
PROTECÇÃO AO CONSUMIDOR	Portugal	290234
PROTECÇÃO AO CARTÃO	Portugal	290238
PROTECÇÃO ÀS COMPRAS	Portugal	290245
PROTECÇÃO AOS BENS E EQUIPAMENTOS	Portugal	290239
HOMEM CHAVE	Portugal	290237

DOMAIN NAMES

<u>Domain</u>	<u>Expires</u>
aktiaturva.fi	2017-12-24
brilliantlysimple.info	2016-02-11
claimfortravel.co.uk	2016-06-07
debtprotect.co.uk	2016-05-11
debtprotect.com	2016-03-21
eguidance.co.uk	2016-05-11
facl.co.uk	2016-05-11
figsl.co.uk	2016-05-11
figsl.com	2016-03-21
financialwisdom.co.uk	2016-06-07
guaranteedassetprotection.co.uk	2016-05-11
guaranteedassetprotection.com	2016-03-21
loanprotect.co.uk	2016-06-22
loanprotector.co.uk	2016-06-22
lp-insurance.com	2016-03-04
lpi-insurance.com	2016-03-04
managingmymoney.co.uk	2016-06-07
mycover.co.uk	2015-08-06
mycover.com	2016-08-05
mycoverdirect.co.uk	2015-09-26
mycoverdirect.com	2016-09-26
mytravelclaim.co.uk	2016-06-07
paymentprotection.org	2016-09-02
paymentprotectioninsurance.co.uk	2016-06-07
personalloanprotection.co.uk	2016-05-11
personalloanprotection.com	2016-03-21
redundancycover.co.uk	2016-05-11
redundancycover.com	2016-03-21
sortme.co.uk	2016-05-11
uktravelclaim.co.uk	2016-10-13
worldcover.co.uk	2016-12-14
worldcoverdirect.co.uk	2016-05-11
worldcoveronline.co.uk	2016-06-22

SCHEDULE 12

TERRITORY OF NON-COMPETE

Norway	Finland	Sweden	Ireland	Denmark
Netherlands	Belgium	Germany	Poland	Turkey
Greece	Austria	Italy	Switzerland	France
Spain	Portugal	China	Brazil	Colombia
Peru	United Kingdom	Mexico	Chile	

SCHEDULE 13
PRE-COMPLETION REORGANIZATIONS

Notwithstanding anything to the contrary contained elsewhere in this Agreement, upon completion of the transactions described in this Schedule 13, this Agreement shall be read and interpreted to give effect to such transactions, including, but not limited to, updating the definitions of the BLAIC Sale Shares and EGF Sale Shares accordingly.

1. Cayman Loan Notes

Following the execution and delivery of this Agreement, the Sellers shall use their reasonable endeavours to cause (i) the sale of the Cayman Loan Notes held by EGF to Genworth Financial European Group Holdings Limited in exchange for the issuance of newly-issued shares of Genworth Financial European Group Holdings Limited common stock to EGF such that after giving effect to such issuance EGF will hold approximately 42% of the outstanding shares in Genworth Financial European Group Holdings Limited, and (ii) following such sale, Genworth Financial European Group Holdings Limited will contribute such Cayman Loan Notes to Genworth Financial UK Holdings Limited, at which time such Cayman Loan Notes shall be redeemed.

2. CFI Pension Trustees Limited

All issued and outstanding common shares of CFI Pension Trustees Limited shall be transferred to a member of the Sellers' Group that is not a member of the Target Group.

3. Real Estate

The Sellers shall cause the Target Group Companies to use their reasonable endeavours to take the following actions on the following terms with respect to each location indicated below:

- a) the terms of any new lease or sub-lease (as applicable) in respect of the rent payable will be no greater than the higher of: (i) the sum paid by the Target Group Company in the relevant location in the eighteen (18) months prior to the Offer Date; and (ii) the rent level specified in the table attached to document 22 listed at Schedule 5 of the Disclosure Letter for the new location;
- b) the other terms of the lease or sub-lease (as applicable) for the new location are consistent with prevailing market terms;
- c) save as otherwise indicated with respect to the locations below, the consent of the Purchaser (not to be unreasonably withheld or delayed) shall be required prior to the Sellers: (i) entering into a new lease or sub-lease (as applicable); or (ii) agreeing to the extension of an existing lease or sub-lease (as applicable), in each case, for a term of greater than eighteen (18) months from the date of Completion; and

- d) the consent of the Purchaser (not to be unreasonably withheld or delayed) shall be required prior to the Sellers: (i) entering into a new lease or sub-lease (as applicable); or (ii) entering into an extension of an existing lease or sub-lease (as applicable), in each case, where the terms of such new or extended lease or sub-lease (as applicable) impose any requirements of material capital expenditure on any Target Group Company.

Brazil (Sao Paulo)

Enter into a lease extension for a “virtual office” lease which has a contractual expiration of 31 May 2015.

Enter into lease extensions for three (3) other Brazil leases (two (2) “virtual offices” expire on 30 November 2015 and the main Sao Paolo lease on 31 December 2015).

China (Chaoyang District)

Renew lease (Regus agreement) when it expires on 31 December 2015.

Denmark (Brondby)

Tenant is currently renegotiating its existing lease with the landlord. The landlord is to carry out proposed upgrade works at the entrance and stairway and in return the existing lease will be extended to expire in March 2017.

England (London - Chiswick Park)

Tenant is in negotiation to enter into a sub-lease of space in Building 6 at Chiswick Park. It is intended that the new sub-lease will have a three (3) year term with a one (1) year break. Tenant’s current leases in Building 11 at Chiswick Park expire on 24 December 2015.

Hungary (Budapest)

Enter into lease extension.

Italy (Milan)

Tenant is in negotiation to amend current lease covering space currently occupied.

Mexico (Mexico City)

Pursuant to two sub-leases, sub-tenant currently occupies premises shared with an affiliate of the Sellers’ Guarantor (who is the tenant under the lease), and is currently investigating leasing other premises through negotiation of early termination of sub-leases prior to entering into a lease of new space.

Portugal (Lisbon - 5th Floor and part 12th Floor)

Tenant is in negotiation to terminate its existing two (2) leases early and enter into a new lease for new space.

Portugal (Lisbon - Part 12th Floor (owned))

Tenant is close to finalizing negotiations to sell property.

Slovakia (Bratislava)

Enter into lease extension.

Ireland (Dublin)

Tenant is finalizing negotiations with landlord for termination of existing lease and with regard to related dilapidations. Tenant has signed a Regus agreement for serviced office effective 1 July 2015.

Subject to the conditions set out in paragraphs 3(a)-(d) above, the Target Group Companies shall be free to amend, renew, extend or terminate any existing lease or sub-lease or enter into any new lease or sub-lease, generally as described above, between the Offer Date and Completion without Purchaser's approval. As part of the separation of the Target Group Companies from the Sellers' Group, the Purchaser and Sellers mutually agree to use reasonable endeavours to negotiate and agree in good faith to space sharing arrangements to allow employees of the Sellers' Group's European mortgage insurance business to continue to co-locate with employees of the Target Group for an eight (8) month transitional period following completion if the Sellers' Group has not made other arrangements therefor prior to Completion. The Sellers shall, and shall cause the Sellers' Group Companies to, use reasonable endeavours to make arrangements for employees of the Sellers' Group's European mortgage insurance business such that the co-location arrangements described in the immediately preceding sentence are not required.

4. Restructuring of Financial Insurance Guernsey PCC Limited

All issued and outstanding capital stock of Financial Insurance Guernsey PCC Limited will prior to Completion be transferred to a member of the Target Group that is domiciled in England.

5. Wind down and transfer of Genworth Seguros Daños, S.A. de C.V. and wind down of Genworth Seguros Vida, S.A. de C.V

(a) Genworth Seguros Daños, S.A. de C.V. will prior to Completion be transferred to a member of the Sellers' Group that is not a member of the Target Group following receipt of the Mexican Minister of Finance's approval of the deauthorisation of this entity. No Target Group Company or member of the Purchaser's Group will be a beneficiary of any trust established in connection with the run-off of either Genworth Seguros Vida, S.A. de C.V. or Genworth Seguros Daños, S.A. de C.V.

(b) Genworth Operaciones, S. de R.L. de C.V. will administer the trusts established for the benefit of the policyholders of each of Genworth Seguros Vida, S.A. de C.V. and Genworth Seguros Daños, S.A. de C.V. pursuant to two Trust Administrative Services Agreements upon the establishment of such trusts and the Sellers shall and shall cause the Target Group Companies to use their reasonable endeavours to procure that the Trust Administrative Service Agreements are executed and delivered in substantially the Agreed Form prior to the date upon which each such trusts is established. To the extent that one or both trusts have not been established by Completion, Genworth Operaciones, S. de R.L. de C.V. will provide substantially similar services to each entity pursuant to two Company Administrative Services Agreements which shall continue in effect until such time as the trusts are established and the Trust Administrative Services Agreements have been executed.

6. Transfer of Certain Registered Owned IP

The trade marks and domain names listed below form part of the registered Owned IP listed in Schedule 11, but are owned by Genworth Holdings, Inc. and the Sellers' Guarantor, respectively.

Following the execution and delivery of this Agreement, the Purchaser shall notify the Sellers of the Target Group Companies to which the trade marks and domain names listed below shall be assigned. No later than seven (7) Business Days following this notification the Sellers shall procure that an assignment of the trade marks and domain names is entered into between the relevant parties and applications are filed with the relevant trade mark and domain name registries to record the assignment of the trade marks and domain names to the nominated Target Group Companies.

To the extent that in a particular jurisdiction the application to record the assignment must be accepted for the legal title to the trade mark or domain name to transfer to the nominated Target Group Companies, and that this process has not been concluded by the Completion Date, the Sellers shall procure that the trade marks and domain names listed below are licensed to the nominated Target Group Companies on an exclusive, royalty-free and sub-licensable basis. The Sellers shall provide the Purchaser with confirmations from the relevant authorities that the applications to record the assignments have been accepted promptly following receipt of said confirmations by the Sellers.

Until such time as the legal title to the trade marks and domain names has been validly assigned to the nominated Target Group Companies, the Sellers shall procure that the trade marks and domain names are held for the benefit of the nominated Target Group Companies and shall procure that the proprietor of the trade marks and domain names as at the execution and

delivery of this Agreement shall perform any act required to maintain the validity of the trade marks and domain names until they have been validly assigned.

<u>Trade Mark</u>	<u>Location</u>	<u>Registration No.</u>
My Cover	European Community	006481584
My Cover Direct	European Community	006481519
Putts for Charity	European Community	007062921
Putts for Charity and Design	European Community	009092313
Think It Possible	European Community	005857826
Think It Possible	Japan	5116855
Think It Possible	Mexico	1034818
Think It Possible	Norway	242575
Think It Possible	Switzerland	569686
Think It Possible	Taiwan	1342509

<u>Domain</u>	<u>Expires</u>
brilliantlysimple.info	2016-02-11
claimfortravel.co.uk	2016-06-07
debtprotect.co.uk	2016-05-11
debtprotect.com	2016-03-21
eguidance.co.uk	2016-05-11
facl.co.uk	2016-05-11
figsl.co.uk	2016-05-11
figsl.com	2016-03-21
financialwisdom.co.uk	2016-06-07
guaranteedassetprotection.co.uk	2016-05-11
guaranteedassetprotection.com	2016-03-21
loanprotect.co.uk	2016-06-22
loanprotector.co.uk	2016-06-22
managingmymoney.co.uk	2016-06-07
mycover.co.uk	2015-08-06
mycover.com	2016-08-05
mycoverdirect.co.uk	2015-09-26
mycoverdirect.com	2016-09-26
mytravelclaim.co.uk	2016-06-07
paymentprotection.org	2016-09-02
paymentprotectioninsurance.co.uk	2016-06-07
personalloanprotection.co.uk	2016-05-11
personalloanprotection.com	2016-03-21
redundancycover.co.uk	2016-05-11
redundancycover.com	2016-03-21
sortme.co.uk	2016-05-11
uktravelclaim.co.uk	2016-10-13
worldcoverdirect.co.uk	2016-05-11
worldcoveronline.co.uk	2016-06-22

7. Financial Insurance Guernsey PCC Limited Capital Support

Certain letters of credit established for the benefit of Financial Insurance Guernsey PCC Limited will also be terminated as part of this transaction and a loan or other arrangement providing for capital support will be established pursuant to one or more intercompany agreements.

8. Transfer of Genworth Consulting Services (Beijing) Limited

Prior to Completion, the Sellers shall procure that Genworth Consulting Services (Beijing) Limited is transferred to a Target Group Company such that Genworth Consulting Services (Beijing) Limited will be a Target Group Company, and not a Company, for purposes of this Agreement.

9. Entry into Certain Agreements

Prior to Completion, the Sellers shall and shall cause the Target Group Companies to use their reasonable endeavours to procure the execution and delivery of the Relevant Distributor Agreement in substantially the Agreed Form and the administration agreement with the Relevant Third Party.

SCHEDULE 14
REVIEW COMMITTEE

1. The Review Committee shall consist of up to five (5) representatives of the Sellers and up to five (5) representatives of the Purchaser.
2. The Review Committee (and any sub-committee thereof) shall be dissolved upon Completion.
3. Subject to Applicable Law and compliance with certain antitrust guidelines communicated to the members of the Review Committee by their respective legal counsel, the Review Committee shall:
 - 3.1 assist the parties with such transitional planning as is reasonably necessary, subject to acceptance of the Irrevocable Offer, to assist the successful projected transition of the control of the Target Group to the Purchaser on Completion, including, without limitation, in respect of the following matters:
 - (a) exchanging information and resolving any issues relating to the progress towards:
 - (i) satisfying the Conditions Precedent; and
 - (ii) carrying out the pre-Completion Reorganisation actions contemplated under Schedule 13;
 - (b) consulting upon any matter requiring the Purchaser's consent or consultation with the Purchaser in accordance with clause 4 and Schedule 6;
 - (c) discussing change of control issues, supplier and client relationship issues arising in the context of or as a result of the Transaction;
 - (d) monitoring the progress of (i) the Separation Plan in compliance with Schedule 17 and (ii) the remedial action being taken in relation to the report in folder 6.5.8 of the Data Room, and any issues in respect thereof; and
 - (e) assisting, to the extent possible, the French works council information and consultation process and providing support in connection with resolving any issues in respect thereof;
 - 3.2 meet at least twice every month (unless the parties otherwise agree), with meetings to take place in London (unless the parties otherwise agree) on reasonable notice by the Purchaser or Sellers. Such meetings shall be, insofar as is reasonably practicable, attended in person by all members, or by telephone or video conference, provided that all reasonable steps shall be taken to ensure the confidentiality of such meetings. Such meetings shall be minuted by a person designated at the meeting.

For the avoidance of doubt, responsibility and power and authority to make all decisions in relation to the conduct of the day-to-day business affairs of each Target Group Company in the period prior to Completion will remain with the directors and management of each Target Group Company, rather than with the Review Committee; and

-
- 3.3 set up any ad-hoc sub-committee under the supervision of the Review Committee to assist the Review Committee in its tasks.
4. For the avoidance of doubt, with respect to any obligations under this Schedule 14:
- 4.1 such obligations shall not extend to any of the Target Group Companies allowing access to commercially sensitive information in relation to the customers or clients of a member of the Sellers' Group, or the commercial negotiations in respect of any Transaction Document (or ancillary document related thereto), or other information the disclosure of which is or may be prevented or rendered unlawful by any Applicable Law or contractual arrangement or which is legally privileged; and
- 4.2 if this Agreement is terminated, the Purchaser shall promptly return to the Sellers or destroy the confidential information provided to the Purchaser by or on behalf of the Sellers pursuant to, or otherwise obtained by the Purchaser in connection with, this Schedule 14 in accordance with clause 14.

SCHEDULE 15
CO-LOCATION PROPERTIES

<u>No.</u>	<u>Region</u>	<u>Type</u>	<u>Tenant Name</u>	<u>Address</u>	<u>City</u>	<u>Country</u>	<u>Current Expiration</u>	<u>Office Type</u>
1.	EMEA	Lease	Financial Insurance Company Limited (Finland)	Hameentie 19	Helsinki	Finland	31/12/2016	Standard
2.	EMEA	Lease	FIGSL Niederlassung Deutschland	Martin-Behaim-Strabe 22	Neu-Isenburg	Germany	14/12/2018	Standard
3.	EMEA	Lease	FIGSL	First Floor and Part Ground Floor, Building 11 Chiswick Park	London	Great Britain	24/12/2015	Standard
4.	EMEA	Lease	FIGSL	Part Second Floor, Building 11 Chiswick Park	London	Great Britain	24/12/2015	Standard
5.	EMEA	Lease	FIGSL	Part of the car park at land on B&Q premises at 2 Larch Drive, Gunnersbury Roundabout, Chiswick, London W4 5QL	London	Great Britain	20/11/2015	Car Park
6.	EMEA	Lease	FIGSL	Part Third Floor, Fleming Court, Flemings Place	Dublin	Ireland	30/06/2016	Serviced
7.	EMEA	Co-Lease	Financial Insurance Company LTD and GE Mortgage Insurance Ltd.	Via S. Gregorio 34	Milan	Italy	31/08/2017	Serviced
8.	Latin America	Sub-Lease	Genworth Seguros Danos, S.A. de C.V. but assigned to Genworth Operaciones, S. de R.L. de C.V.	Av. Antonio Dovali Jaime #70	Mexico City	Mexico	31/08/2016	Standard
9.	Latin America	Sub-Lease	Genworth Seguros Vida, S.de R.L. de C.V. but assigned to Genworth Operaciones, S. de R.L. de C.V.	Av. Antonio Dovali Jaime #70	Mexico City	Mexico	31/08/2016	Standard
10.	EMEA	Sub-Lease	Financial Insurance Company Limited, sub-tenant of Genworth Financial Mortgage Insurance Limited Sucursal en Espana The subtenant is a sale entity (not the tenant) and occupies 72 per cent. of the premises.	Calle Luchana 23	Madrid	Spain	30/11/2015	Standard

SCHEDULE 16
INDIVIDUALS SUBJECT TO NON-SOLICIT

Part A

The individuals with the following SSO numbers in the Sellers' European Mortgage Insurance Business as of the Offer Date:

1. 110005845
2. 110014484
3. 110005784
4. 430000972
5. 217018003
6. 430001059
7. 430004613
8. 110000710
9. 430006495

Part B

The individuals with the following SSO numbers in the Target Group as of the Offer Date:

1. 110000042
2. 430000399
3. 110003755
4. 350000676
5. 350000233
6. 430005397
7. 110005545

**SCHEDULE 17
SEPARATION PLAN**

LPI Separation	6-Jul	20-Jul	3-Aug	17-Aug	31-Aug	14-Sep	28-Sep	12-Oct	26-Oct	9-Nov	23-Nov	7-Dec	21-Dec	4-Jan
New Financial Database (Rollout)														
Initiate/Design														
Contract with OMCS														
Contract with Financial Database Provider														
Identify Integration/Configuration/Customization changes														
Design Data Purge for non-Target Group data														
Build/IT Testing														
Develop Data Purge for non-Target Group data														
Copy Target Group Financial Data to Target Group Test instance														
Update Configurations/Integrations/Customizations														
Unit and System Testing														
User Acceptance Testing ("UAT")														
Copy Target Group Financial Data to Target Group UAT Instance														
Migrate Configuration/Customization/Integration Changes														
UAT														
Data Purge Execution and Verification														
Implementation¹														
Copy Target Group Financial Data to New Financial Database														
Migrate Configuration/Customization/Integration Changes														
Data Purge Execution and Verification														
Record Sale/Cleanup of Target Group data from Sellers' Group existing financial database														

Financial Planning and Analysis ("FPA")	6-Jul	20-Jul	3-Aug	17-Aug	31-Aug	14-Sep	28-Sep	12-Oct	26-Oct	9-Nov	23-Nov	7-Dec	21-Dec	4-Jan
Initiate/Design														
Procure HW														
Install HW														
Build/IT Testing														
Build Citrix as Required														
Remove Sellers' Group data/users														
Update Batch Scripts for new directory paths														
Update Download inputs and outputs														
Update processes, chores, and security as required														
Update Planning Input Templates														
Update PPI Expense for new year workbook requirements														
Update user models supporting close														
Test new objects in Dev... inclusive of data purge														
Configure FPA solution instances on Stg Server														
UAT														
Migrate FPA Dev to FPA Stg														
UAT														
Implementation														
Configure FPA Instance on Prd Server														
Migrate FPA Stg to FPA Prd														

	6-Jul	20-Jul	3-Aug	17-Aug	31-Aug	14-Sep	28-Sep	12-Oct	26-Oct	9-Nov	23-Nov	7-Dec	21-Dec	4-Jan	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Human Resources																										
UK DB Scheme																										
Flexible Apportionment Agreement Executed																										
Genworth Payment Made to Scheme																										
Benefits Contracts																										
Ensure all Joint (LPI & M) Contracts are Separated (i.e. UK Risk, UK Medical)																										
Equity																										
Communications to Employees Regarding Equity Treatment																										
Treatment Executed																										
Earnings, Tax Withholding/Remittance Obligations Fulfilled ²																										
Bonus Payments																										
Bonus Accrual File Provided																										
Post - close (March 2016), Purchaser makes Genworth bonus payment (funded by Purchaser) ³																										
Benefits Communications⁴																										
Purchaser Communicates Benefit Offerings to Employees																										
Employment Contracts																										
Open Contract Section of HR Data Room																										
French Works Council - Consultation																										
Enter into an Irrevocable Offer with Purchaser pending Consultation with French Works Council																										
Initial Communication to Works Council																										
Economic Note Complete and Sent to Works Council																										
Meeting Held with Works Council																										
Consultation Complete - Works Council Opinion Received																										
Legal Entity Creation (Ireland)																										
Finalize Creation of MI Legal Entity																										
MI Employees Transferred to New Legal Entity																										
New HR Database (HR Database Provider Cut and Paste)																										
Purchaser to Determine New HR Database Solution																										
Purchaser Contract Complete with Vendor																										
Determine New HR Database Support/Resources																										
HR Database Provider Re-configures and Tests Instance Names, Ports, Interfaces, etc.																										
Sellers' Group Data Purge																										
Sign-off on UAT																										
Final Data Provided from Sellers' Group																										
Transitioned to New HR Database																										
Payroll (Payroll Provider)																										
Purchaser Contract Complete with Vendor																										
Copy and Test Integrations																										
Sellers' Group Data Purge																										
Sign-off on Testing																										
Final Data Provided from Sellers' Group																										
Transitioned to Payroll Provider/New HR Database																										

SCHEDULE 18
UNDERWRITING PROFIT ACCOUNT

PART I
PRO FORMA UNDERWRITING PROFIT ACCOUNT

Form of account to comprise net earned premiums received, deduction of commissions at rates set out in contracts and net claims actually paid (including reasonable claims handling expenses paid to a claims administrator retained to replace the Applicable Distributor, if any) with no allowance for investment income or changes in reserves.

Net Earned Premiums
Total Losses
Paid Claims
Reasonable claims handling expenses (if any)
Commission
Profit Share
Underwriting Profit

PART II
CALCULATION METHODOLOGY

- The net present value of the estimated future Applicable Claims Liabilities as from the Final Calculation Date shall be calculated by reference to technical reserves which shall:
 - be based on the claims data base as at 31 December 2018 and provided by the Purchaser; and
 - correspond to the net present value of all the remaining Applicable Claims Liabilities at 31 December 2018 including claims handling expenses paid to a third party retained to replace the Applicable Distributor as the claims administrator on the Applicable Business, if any.
- The technical reserves calculation shall:
 - be based on best estimate assumptions;
 - be carried out on an individual case by case basis (calculation of case reserves) including incurred but not reported (IBNR) reserves if relevant;
 - be based on the past experience of the Applicable Business and, in respect of the Applicable Business relating to the statutory risk for the agents of the Applicable Persons, on the market experience for “garantie du personnel de collectivités locales”, and in respect of the Applicable Business relating to group contracts covering health and accident risk with private sector persons, on the market experience for group contracts with similar guarantees, in each case where the experience of the Applicable Business is not, in the opinion of the expert, sufficiently robust;
 - use a discount rate equal to the risk free rate determined by reference to the ten (10) year OAT as shown on the relevant Bloomberg page providing a weighted average for the six (6) months prior to the Final Calculation Date; and
 - consider any trend in the market and the “jurisprudence” or impact of recent decisions of the “Commissions des reformes” that might impact the calculation of the reserves.
- In respect of the Applicable Business relating to the statutory risk for the agents of the Applicable Persons, the technical reserves calculation should distinguish between:
 - maladie ordinaire;
 - longue maladie;

-
- maladie longue durée;
 - accident du travail et maladie professionnelles (indemnités); and
 - accident du travail et maladie professionnelles (remboursement des frais médicaux).
- In respect of the Applicable Business relating to group contracts covering health and accident risk with private sector persons, the technical reserves calculation should distinguish between:
 - incapacité en cours de service;
 - invalidité en attente;
 - invalidité;
 - rentes éducation et rentes de conjoints; and
 - autres garanties.

SIGNATORIES

Signed by)
for **BROOKFIELD LIFE AND**)
ANNUITY INSURANCE)
COMPANY LIMITED) /s/ Ward E. Bobitz

Signed by)
for **EUROPEAN GROUP FINANCING**)
COMPANY LIMITED) /s/ Ward E. Bobitz

Signed by)
for **GENWORTH FINANCIAL**)
INTERNATIONAL HOLDINGS, INC.) /s/ Ward E. Bobitz

Signed by)
for **GENWORTH FINANCIAL, INC.**) /s/ Ward E. Bobitz

Signed by)
for **AXA S.A.**) /s/ Helen Jane Paul

Signature Page to Share Purchase Agreement

MASTER AGREEMENT
BY AND BETWEEN
GENWORTH LIFE AND ANNUITY INSURANCE COMPANY
AND
PROTECTIVE LIFE INSURANCE COMPANY
DATED AS OF SEPTEMBER 30, 2015

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* The Exhibits, Annexes and Schedules to this agreement have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. The Company will furnish copies of any of the Exhibits, Annexes or the Schedules to the Securities and Exchange Commission upon request.

MASTER AGREEMENT

This MASTER AGREEMENT, dated as of September 30, 2015 (this "Agreement"), is made by and between Genworth Life and Annuity Insurance Company, a Virginia-domiciled life insurance company ("Cedent"), and Protective Life Insurance Company, a Tennessee-domiciled life insurance company ("Reinsurer").

WHEREAS, Cedent, Genworth Life Insurance Company, a Delaware-domiciled life insurance company ("GLIC"), and Genworth Life Insurance Company of New York, a New York-domiciled life insurance company ("GLICNY"), each have issued certain Reinsured Policies (as defined herein);

WHEREAS, GLIC has ceded to Cedent, and Cedent has reinsured from GLIC, certain risks and liabilities arising under the Reinsured Policies issued by GLIC pursuant to (i) the Reinsurance Agreement, dated as of July 1, 2003, by and between GLIC, as ceding company, and Cedent, as reinsurer, as amended prior to the date hereof or as contemplated hereby (the "2003 GLIC Reinsurance Agreement"); and (ii) the Reinsurance Agreement, dated as of October 1, 2004, by and between GLIC, as ceding company, and Cedent, as reinsurer, as amended prior to the date hereof or as contemplated hereby (the "2004 GLIC Reinsurance Agreement" and, together with the 2003 GLIC Reinsurance Agreement, the "GLIC Reinsurance Agreements");

WHEREAS, GLICNY has ceded to Cedent, and Cedent has reinsured from GLICNY, certain risks and liabilities arising under the Reinsured Policies issued by GLICNY pursuant to the Reinsurance Agreement, dated as of July 1, 2003, by and between GLICNY, as ceding company and as successor by merger to American Mayflower Life Insurance Company, and Cedent, as reinsurer, as amended prior to the date hereof (the "GLICNY Reinsurance Agreement");

WHEREAS, Cedent has reinsured or retroceded, as applicable, (i) to River Lake Insurance Company, a South Carolina-domiciled captive insurance company subsidiary of Cedent ("RLI"), certain of Cedent's risks and liabilities arising under certain of the Reinsured Policies issued or reinsured by Cedent, pursuant to an Amended and Restated Reinsurance Agreement, effective July 1, 2003, between Cedent and RLI (the "River Lake I Reinsurance Agreement"); and (ii) to River Lake Insurance Company II, a South Carolina-domiciled captive insurance company subsidiary of Cedent ("RLII"), certain of Cedent's risks and liabilities arising under the remainder of the Reinsured Policies issued or reinsured by Cedent, pursuant to an Amended and Restated Reinsurance Agreement, effective October 1, 2004, between Cedent and RLII (the "River Lake II Reinsurance Agreement" and, together with the River Lake I Reinsurance Agreement, the "RL Captive Reinsurance Agreements");

WHEREAS, on or prior to the Closing Date, with effect as of the Effective Date, Cedent will recapture from each of RLI and RLII all of the risks and liabilities reinsured or retroceded, as applicable, to RLI or RLII pursuant to the RL Captive Reinsurance Agreements;

WHEREAS, Cedent has reinsured to Jamestown Life Insurance Company, a Virginia-domiciled life insurance company subsidiary of Cedent ("Jamestown"), a 10% quota share of Cedent's risk and liabilities arising out of certain of the Reinsured Policies issued by Cedent, pursuant to the Automatic Coinsurance Agreement, effective January 1, 2001, by and between Cedent and Jamestown (the "Jamestown Reinsurance Agreement");

WHEREAS, on or prior to the Closing Date, with effect as of the Effective Date, Cedent will recapture from Jamestown all of the risks and liabilities reinsured to Jamestown pursuant to the Jamestown Reinsurance Agreement;

WHEREAS, on or prior to the Closing Date, with effect as of Effective Date, GLIC and Cedent will amend the GLIC Reinsurance Agreements as contemplated by Annex B to this Agreement, in order to, among other things, cede to Cedent the 10% quota share of GLIC's risks and liabilities arising out of certain of the Reinsured Policies issued by GLIC that is currently retained by GLIC; and

WHEREAS, on the Closing Date, Cedent and Reinsurer will enter into a Reinsurance Agreement substantially in the form attached as Exhibit C hereto (the "Reinsurance Agreement"), such that Reinsurer will reinsure from Cedent, on a 100% indemnity basis, as of the Effective Date, the Reinsured Benefits (as defined therein), subject to the terms, conditions and limitations set forth in the Reinsurance Agreement.

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement, the parties hereto agree as follows:

ARTICLE I.
DEFINITIONS

SECTION 1.1. Definitions. For purposes of this Agreement, the following terms shall have the respective meanings set forth below:

"Action" means any civil, criminal or administrative action, arbitration, suit, claim, litigation, investigation, examination or similar proceeding, in each case before a Governmental Authority or an arbitrator.

"Affiliate" means any entity which is controlled by, controls or is under common control with, a given entity. For purposes of the foregoing, "control," including the terms "controlling," "controlled by" and "under common control" means the possession, direct or indirect, of the power to direct or cause the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Affiliate Policies" means the fully underwritten level term life insurance policies but not any riders thereto (a) issued by GLIC or GLICNY and described in Section B of Exhibit A, (b) in-force as of December 31, 2014 and as of the Effective Time and (c) identified by policy number in the file referenced in Section A of Exhibit A (as such file may be replaced in accordance with the Reinsurance Agreement).

"Applicable Law" means any domestic or foreign, federal, state, county or local statute, law, ordinance or code, or any written rules, regulations or administrative interpretations issued by any Governmental Authority pursuant to any of the foregoing, in each case applicable to any party hereto, and any order, writ, injunction, directive, judgment or decree of a court of competent jurisdiction applicable to any party hereto.

“Assumed IMR” means, as of any date, the aggregate statutory liability for interest maintenance reserve assumed by Reinsurer as of such date pursuant to the Reinsurance Agreement, as would be reported in the statutory financial statements of the Reinsurer using the NAIC-approved practices and procedures in force in Reinsurer’s Domicile as of such date.

“Assumed Policies” means the Affiliate Policies ceded to Cedent under the GLIC Reinsurance Agreements or the GLICNY Reinsurance Agreement.

“Assumed Reinsurance Agreements” means, together, the GLICNY Reinsurance Agreement and the GLIC Reinsurance Agreements.

“Base Ceding Commission” means \$62,700,000.

“Books and Records” means all books and records (including computer generated, recorded or stored records) maintained primarily for or primarily relating to the Business that are in the possession or control of Cedent or any of its Affiliates, including any books and records used by Cedent or its Affiliates in the computation of Insurance Reserves or used to generate the factual data provided to Milliman in writing for use in connection with the preparation of the Actuarial Report; provided, however, that Books and Records excludes: (1) Tax Returns and Tax records and all other data and information with respect to Taxes; (2) files, records, data and information with respect to the employees of Cedent or its Affiliates; (3) records, data and information with respect to any employee benefit plan established, maintained or contributed to by Cedent or any of its Affiliates; (4) any materials prepared for the boards of directors or similar governing bodies of Cedent or any of its Affiliates; (5) any corporate minute books, stock records or similar corporate records of Cedent or its Affiliates; (6) any materials that are legally privileged for which Cedent or its Affiliates do not have a common interest with Reinsurer; (7) any information that is not permitted to be disclosed by Cedent to Reinsurer or its Affiliates pursuant to Applicable Law or pursuant to any contract to which Cedent or any of its Affiliates is a party; (8) any internal drafts, opinions, valuations, correspondence or other materials produced by, or provided between or among, Cedent and its Affiliates or Representatives with respect to the negotiation, valuation and consummation of the transactions contemplated under this Agreement and the other Transaction Agreements or the terms of engagement of such Representatives with respect thereto; (9) consolidated financial records (including general ledgers) of Cedent or its Affiliates, consolidated regulatory filings made by Cedent or its Affiliates and any related correspondence with Governmental Authorities, except to the extent the information contained therein specifically and separately identifies the Business and is not otherwise included in a Book and Record; and (10) contracts between third party vendors and Cedent or any of its Affiliates, except to the extent relating to the operation of the Business; provided, with respect to the foregoing clauses (6) and (7), that Cedent shall use commercially reasonable efforts to obtain waivers or make other arrangements (including redacting information and entering into joint defense agreements) that would enable such materials to be made available to Reinsurer; provided, further, that to the extent Books and Records contain information that relates to any business of Cedent and its Affiliates other than

the Business, then such information shall not constitute "Books and Records" for purposes of this Agreement and may be redacted from the Books and Records for purposes of Section 2.4(d) and Section 5.2.

"Business" means the operation, administration, marketing, underwriting, sale, distribution, and reinsurance of the Reinsured Policies as conducted by Cedent or its applicable Affiliates on or prior to the date hereof.

"Business Day" means any day other than a Saturday, a Sunday, or any other day on which banking institutions in Richmond, Virginia, Birmingham, Alabama or New York, New York are required or authorized by Applicable Law to be closed.

"Ceded Reinsurance Agreements" means the reinsurance agreements under which Cedent, GLIC, GLICNY, Jamestown, RLI or RLII has ceded to reinsurers risks arising in respect of the Reinsured Policies, in each case that are (a) in force on the date hereof or (b) terminated on the date hereof but under which there remains any outstanding liability or obligation from any reinsurer thereunder; provided, that Ceded Reinsurance Agreements shall not include the RL Captive Reinsurance Agreements, the Assumed Reinsurance Agreements or the Jamestown Reinsurance Agreement.

"Ceded Reserves" shall equal (a) with respect to a Direct Policy, the Statutory Reserves for such Direct Policy, properly adjusted by Reinsurer's Share, and then reduced by 100% of the reserves allocable to Excess Reinsurance with respect to such Direct Policy, and (b) with respect to an Assumed Policy, the Statutory Reserves as would be calculated using NAIC-approved statutory accounting practices and procedures in force in Cedent's Domicile for such Assumed Policy, properly adjusted by Reinsurer's Share, and then reduced by 100% of the reserves allocable to Excess Reinsurance with respect to such Assumed Policy.

"Ceded Total Reserves" shall equal (a) the Ceded Reserves for all then in-force Reinsured Policies *minus* (b) the amount of the deferred net premium asset for the in-force Reinsured Policies on a direct mode premium basis as would be calculated using NAIC-approved statutory accounting practices and procedures in force in Cedent's Domicile.

"Cedent Disclosure Schedule" means the disclosure schedule (including any attachments thereto) delivered by Cedent to Reinsurer concurrently with the execution and delivery of, and constituting a part of, this Agreement.

"Ceding Commission" means (a) the Base Ceding Commission *plus* (b) the Adjusted Initial Discounted IMR (as finally determined pursuant to Section 2.4).

"Confidentiality Agreement" means the confidentiality agreement dated March 23, 2015 between Protective Life Corporation and Genworth Financial, Inc.

"Covered Benefits" means the sum of (a) all death benefits arising under a Reinsured Policy (including all interest required under such Reinsured Policy or by Applicable Law whether payable to a beneficiary or escheated) and (b) all cash surrender values arising under a Reinsured Policy; provided, however, that Covered Benefits shall not include Excluded Interest.

“Covered Liabilities” means all liabilities and obligations incurred by Cedent, GLIC or GLICNY for Covered Benefits (a) under the express terms of the Reinsured Policies or (b) as a result of the payment of Covered Benefits consistent with then current standard industry practices with respect to the payment of claims and Existing Practices or, if applicable, Then Current Practices (each as defined in the Reinsurance Agreement).

“Credit for Reinsurance” means that Cedent is able to take full statutory financial statement credit for the reinsurance provided by the Reinsurance Agreement in its statutory financial statements filed in Cedent’s Domicile and any other jurisdiction in which Cedent is required by Applicable Law to file statutory financial statements, other than New York.

“Data Room” means the electronic data room named “Project Genesis” established by or on behalf of the Cedent and maintained by Intralinks, Inc.

“Direct Policies” means the fully underwritten level term life insurance policies but not any riders thereto (a) issued by Cedent and described in Section B of Exhibit A, (b) in-force as of December 31, 2014 and as of the Effective Time and (c) as identified by policy number in the file referenced in Section A of Exhibit A (as such file may be replaced in accordance with the Reinsurance Agreement).

“Discounted IMR” means, as of any date of determination, the present value, as of such date, of the Assumed IMR, determined using an amortization schedule consistent with the NAIC-approved practices and procedures in force in Reinsurer’s Domicile and applying an annual discount rate of 10%.

“Domicile” means the state or commonwealth in which a particular entity is domiciled; provided, however, that if Cedent’s domicile is the State of New York, Cedent’s domicile shall be deemed to be the Commonwealth of Virginia.

“Domicile SAP” means the statutory accounting practices and procedures prescribed in Cedent’s Domicile from time to time.

“Economic Reserves” shall have the meaning set forth in the Reinsurance Agreement.

“Effective Time” shall have the meaning set forth in the Reinsurance Agreement.

“Estimated Ceding Commission” means (a) the Base Ceding Commission *plus* (b) the Estimated Initial Discounted IMR.

“Estimated Initial Allowance” means an amount equal to the Estimated Initial Ceded Total Reserves, as set forth in Cedent’s Estimated Net Settlement Statement, *minus* the Estimated Initial Economic Reserves.

“Estimated Initial Economic Reserves” means \$388,500,000.

“Excess Reinsurance” shall have the meaning set forth in the Reinsurance Agreement.

“Excluded Interest” means (a) interest on a death benefit arising under a Reinsured Policy to the extent such interest arises as a direct result of the failure by Cedent, GLIC, GLICNY or their respective delegates or subcontractors to act in accordance with (i) Applicable Law or, to the extent consistent therewith, (ii) then current standard industry practices with respect to the payment of claims or (iii) Existing Practices or, if applicable, Then Current Practices (each as defined in the Reinsurance Agreement); or (b) interest that accrues under a settlement option elected by the beneficiary of a death benefit.

“Extra-Contractual Obligations” shall have the meaning set forth in the Reinsurance Agreement.

“Governmental Authority” means any domestic or foreign, federal, state, county or local governmental or public agency, instrumentality, commission, authority or self-regulatory organization, board or body.

“Indemnitee” means any Person entitled to indemnification under this Agreement.

“Indemnitor” means any Person required to provide indemnification under this Agreement.

“Indemnifiable Losses” means any and all damages, losses, liabilities, obligations, interest, penalties, costs, and expenses (including reasonable attorneys’ fees and expenses); provided that any Indemnity Payment (x) shall in no event include any amounts constituting consequential, indirect, special or punitive damages (except to the extent incurred by a third party and actually paid to such third party in connection with a Third Party Claim), or any damages for lost profits, unless (1) such damages for lost profits do not constitute consequential, indirect, special or punitive damages of any Reinsurer Indemnified Person; (2) such damages for lost profits are recoverable under the laws of the State of New York; (3) the Indemnitee satisfies all elements necessary for proof of such damages for lost profits under such laws; and (4) such lost profits can be demonstrated by reference to the Actuarial Report and therefore to be within the reasonable contemplation of the parties (it being understood that nothing in this definition is intended to limit the effect of the statement set forth in the last sentence of Section 3.12(b), and that lost profits damages with respect to the reduction or elimination of any profits contemplated by the Actuarial Report shall in no event exceed the present value ascribed to any such remaining profits contemplated by the Actuarial Report as of the date of the Indemnifiable Loss giving rise to the related claim, calculated based on the assumptions on which the Actuarial Report was prepared and discounted using a discount rate of 10%), and (y) shall be net of any (1) amounts recovered by the Indemnitee for the Indemnifiable Losses for which such Indemnity Payment is made under any insurance policy, reinsurance agreement, warranty, or indemnity or otherwise from any Person other than a party hereto, and the Indemnitee shall promptly reimburse the Indemnitor for any such amount that is received by it from any such other Person with respect to an Indemnifiable Loss after any indemnification with respect thereto has actually been paid pursuant to this Agreement; and (2) amounts specifically included in the calculation of the Adjusted Initial Ceded Total Reserves.

“Indemnity Payment” means any amount of Indemnifiable Losses required to be paid pursuant to this Agreement.

“Initial Assumed IMR” means the Assumed IMR as of the Effective Time.

“Initial Ceded Total Reserves” means the Ceded Total Reserves as of the Effective Time.

“Initial Discounted IMR” means the Discounted IMR as of the Effective Time.

“Initial Economic Reserves” means the Economic Reserves as of the Effective Time.

“Initial Net Settlement” means an amount equal to the result of (a) the Estimated Initial Ceded Total Reserves, *plus* (b) the Estimated Initial Assumed IMR, *minus* (c) the Estimated Initial Allowance, *minus* (d) the Estimated Ceding Commission, each as set forth in Cedent’s Estimated Net Settlement Statement.

“Insurance Regulator” means, with respect to any jurisdiction, the Governmental Authority charged with the supervision of insurance companies in such jurisdiction.

“Insurance Reserves” means the reserves for the payment of benefits, losses, claims, unearned premium and expenses under the Reinsured Policies.

“Knowledge of Cedent” means the actual knowledge, after reasonable investigation, of those persons identified in Schedule 1.1 of the Cedent Disclosure Schedule.

“Knowledge of Reinsurer” means the actual knowledge, after reasonable investigation, of those persons identified in Schedule 1.1 of the Reinsurer Disclosure Schedule.

“Liabilities” means any and all debts, liabilities, commitments or obligations, whether direct or indirect, accrued or fixed, known or unknown, absolute or contingent, matured or unmatured or determined or determinable, whether arising in the past, present or future.

“Material Adverse Effect” means a material adverse effect on (a) the business, condition (financial or otherwise) or results of operations of the Business, taken as a whole, but for purposes of this clause (a) excluding any such effect to the extent resulting from or arising out of: (i) any change, development, event or occurrence in general political, economic, or securities or financial market conditions (including changes in interest rates, changes in currency exchange rates, or changes in equity prices); (ii) any change, development, event or occurrence generally affecting participants in the life insurance, annuity or financial services industries; (iii) any change or proposed change in Domicile SAP or Applicable Law, or the interpretation or enforcement thereof; (iv) natural disasters, catastrophic events, pandemics, hostilities, acts of war or terrorism, or any escalation or worsening thereof; (v) the public announcement of any of the

transactions contemplated by the Transaction Agreements; (vi) the identity of or facts related to Reinsurer; (vii) any action (A) taken by Cedent or any of its Affiliates, agents or representatives at the written instruction of or with the written consent of Reinsurer or (B) failed to be taken by Cedent or any of its Affiliates, agents or representatives because Reinsurer has withheld its consent in breach of an obligation under this Agreement not to withhold such consent; (viii) any downgrade or threatened downgrade in the rating assigned to GLICNY, GLIC or Cedent by any rating agency (but not the facts or circumstances giving rise to such downgrade or threatened downgrade); or (ix) any failure of GLICNY, GLIC or Cedent to meet any financial projections, forecasts, predictions, or targets (provided that this clause (ix) shall not by itself exclude the underlying causes of any such failure); except, in the case of clause (i) (ii), (iii) and (iv), to the extent such effect has a disproportionate effect on the Business taken as a whole relative to comparable businesses of other life insurance companies; or (b) the ability of Cedent and its Affiliates to perform their respective obligations under the Transaction Agreements, including consummation of the transactions contemplated hereby or thereby. For the avoidance of doubt, the inability of the Reinsurer to timely obtain the Financing Approvals, if applicable, will not be a Material Adverse Effect.

“NAIC” means the National Association of Insurance Commissioners or any successor thereto.

“Permits” means licenses, permits, orders, approvals, registrations, authorizations and qualifications with Governmental Authorities.

“Person” means an individual, corporation, partnership, joint venture, limited liability company, association, trust, unincorporated organization, Governmental Authority, or other entity.

“Personal Information” means personal, private, health or financial information about individual policyholders or benefit recipients under the Reinsured Policies.

“Premiums” means the direct term premium, including policy fees, additional substandard premiums and modal loadings payable to GLIC, GLICNY or the Cedent with respect to the Reinsured Policies.

“Producers” means the brokers, insurance agents, producers, distributors or other persons involved in the marketing and production of the Reinsured Policies.

“Reinsured Benefits” means (i) all Covered Liabilities payable by Cedent, GLIC or GLICNY under the Reinsured Policies after the Effective Date on account of dates of death or surrender on or after the Effective Date, appropriately adjusted by the Reinsurer’s Share, and then reduced by 100% of the death or surrender benefits which are payable to Cedent or GLIC in respect of such Reinsured Policy under the terms of Excess Reinsurance (including interest on and claims expenses with respect to such death or surrender benefits if such interest or such claims expenses are payable to Cedent or GLIC in respect of such Reinsured Policy under the terms of Excess Reinsurance), regardless of whether such amounts are actually paid to Cedent or GLIC by such Excess Reinsurance; and (ii) all Reinsurer Extra-Contractual Obligations.

“Reinsured Policies” means the Direct Policies and the Assumed Policies together.

“Reinsurer Disclosure Schedule” means the disclosure schedule (including any attachments thereto) delivered by Reinsurer to Cedent concurrently with the execution and delivery of, and constituting a part of, this Agreement.

“Reinsurer Extra-Contractual Obligations” shall have the meaning set forth in the Reinsurance Agreement.

“Reinsurer Material Adverse Effect” means a material adverse effect on the ability of Reinsurer to perform its obligations under the Transaction Agreements, including consummation of the transactions contemplated hereby or thereby.

“Reinsurer’s Share” has the meaning set forth in the Reinsurance Agreement.

“Representative” means, with respect to any Person, such Person’s Affiliates and any directors, officer, employee, agent attorney or consultant of such Person or any such Affiliate.

“Reserve Methodology” means the methodologies, procedures, judgments and estimates for determining Economic Reserves set forth in Annex A.

“Restructuring Transactions” means the transactions set forth on Annex B.

“Statutory Reserves” shall equal the aggregate statutory reserves (including deficiency reserves and unearned premium reserves) in respect of the Reinsured Benefits as calculated by Cedent using the NAIC approved practices and procedures in force in Cedent’s Domicile from time to time. For the purposes of calculating the Initial Net Settlement, Cedent shall use the NAIC-approved practices and procedures in force in the Commonwealth of Virginia as of the Closing.

“Tax Return” means any report, estimate, extension request, information statement, claim for refund, or return relating to, or required to be filed in connection with, any Tax, including any schedule or attachment thereto, and any amendment thereof.

“Taxes” means any and all federal, state, local, or foreign income, premium, property (real or personal), sales, excise, employment, payroll, withholding, gross receipts, license, severance, stamp, occupation, windfall profits, environmental, customs duties, capital stock, franchise, profits, social security (or similar, including FICA), unemployment, disability, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind or any charge of any kind in the nature of (or similar to) taxes whatsoever, including any interest, penalty, or addition thereto.

“Third Party Claim” means any claim, action, suit, or proceeding made or brought by any Person that is not a party to this Agreement or an Affiliate thereof.

“Transaction Agreements” means this Agreement and the Reinsurance Agreement.

“Transaction Expenses” means, without duplication, all liabilities (except for any Taxes) incurred by any party hereto for fees, expenses, costs, or charges as a result of the contemplation, negotiation, efforts to consummate, or consummation of the transactions contemplated by this Agreement, including any fees and expenses of investment bankers, attorneys, accountants, or other advisors, and any fees payable by such parties to Governmental Authorities or other third parties, in each case, in connection with the consummation of the transactions contemplated by this Agreement.

In addition, the following terms shall have the respective meanings set forth in the following sections of this Agreement:

<u>Term</u>	<u>Section</u>
2003 GLIC Reinsurance Agreement	Recitals
2004 GLIC Reinsurance Agreement	Recitals
Actuarial Firm	2.4(c)
Actuarial Report	3.12(b)
Adjusted Allowance	2.4(e)(iv)
Adjusted Initial Assumed IMR	2.4(e)
Adjusted Initial Ceded Total Reserves	2.4(e)
Adjusted Initial Discounted IMR	2.4(e)
Adjusted Initial Economic Reserves	2.4(e)
Agreement	Preamble
Audited 2014 Financial Statements	3.12(a)(i)
Burdensome Condition	5.5(a)
Cedent	Preamble
Cedent Factual Data	3.12(b)
Cedent Financial Statements	3.12(a)(i)
Cedent Fundamental Representations	7.1(a)
Cedent Indemnified Persons	7.2(b)
Cedent’s Estimated Net Settlement Statement	2.3(a)
Cedent’s Final Reserve Statement	2.4(a)
Closing	2.1
Closing Date	2.1
Condition Satisfaction	2.1
Deadline Date	8.1(b)
Deductible	7.3(a)
Disputed Item	2.4(b)
Effective Date	2.1
Enforceability Exceptions	3.2
Estimated Initial Assumed IMR	2.3(a)
Estimated Initial Ceded Total Reserves	2.3(a)
Estimated Initial Discounted IMR	2.3(a)
Financing Approvals	2.1

<u>Term</u>	<u>Section</u>
GLIC	Recitals
GLIC Reinsurance Agreements	Recitals
GLICNY	Recitals
GLICNY Reinsurance Agreement	Recitals
Jamestown	Recitals
Jamestown Reinsurance Agreement	Recitals
Milliman	3.12(b)
New York Court	9.7(a)
Notice of Disagreement	2.4(b)
Order	3.3(a)
Policyholder Personal Information	5.3
Reinsurance Agreement	Recitals
Reinsurer	Preamble
Reinsurer Fundamental Representations	7.1(a)
Reinsurer Indemnified Persons	7.2(a)
Reserve Funding Transaction	5.5(d)
Resolution Period	2.4(c)
River Lake I Reinsurance Agreement	Recitals
River Lake II Reinsurance Agreement	Recitals
RL Captive Reinsurance Agreements	Recitals
RLI	Recitals
RLII	Recitals
Threshold Amount	7.3(a)
Unresolved Items	2.4(c)

ARTICLE II.
CLOSING; INITIAL REINSURANCE PREMIUM AND CEDING ALLOWANCE

SECTION 2.1. Closing. The closing of the transactions contemplated hereby (the "Closing") shall take place at the offices of Willkie Farr & Gallagher LLP, 787 Seventh Avenue, New York, New York 10019, at 10:00 a.m., New York City time, (i) on January 6, 2016 subject to (A) all the conditions set forth in Article VI having been satisfied or waived in accordance with this Agreement prior to such date and time (other than those conditions that by their terms are to be satisfied at the Closing but subject to the satisfaction or waiver of such conditions) (the "Condition Satisfaction") and (B) Reinsurer and its applicable Affiliates having received each of the approvals of Governmental Authorities set forth in Section 2.1 of the Reinsurer Disclosure Schedule (the "Financing Approvals") not later than the date that is three (3) Business Days prior to January 6, 2016; or (ii) if the Condition Satisfaction does not occur prior to the date and time specified in the foregoing clause (i)(A) and/or Reinsurer and its applicable Affiliates have not received the Financing Approvals by the date specified in the foregoing clause (i)(B), then on the fifth (5th) Business Day following the later of (A) the date on which the Condition Satisfaction has occurred and (B) the date on which Reinsurer and its applicable Affiliates have received the Financing Approvals; or (iii) if the Condition Satisfaction has occurred but Reinsurer and its applicable Affiliates have not received all of the Financing

Approvals by June 22, 2016, then on June 30, 2016; in each case, subject to the satisfaction or waiver of all of the conditions set forth in Article VI in accordance with this Agreement prior to the date and time of the Closing (other than those conditions that by their terms are to be satisfied at the Closing but subject to the satisfaction or waiver of such conditions); or such other date, time, or place as is agreed to in writing by the parties hereto. The actual date and time on which the Closing occurs are referred to herein as the "Closing Date." The "Effective Date" for purposes of this Agreement and the Reinsurance Agreement shall be the first day of the month in which the Closing occurs.

SECTION 2.2. Closing Deliveries

(a) Cedent's Closing Deliveries. At the Closing, Cedent shall make the payment contemplated by Section 2.3 and also deliver to Reinsurer:

(i) a certificate of Cedent duly executed by an authorized officer of Cedent, dated as of the Closing Date, certifying that the conditions set forth in Section 6.2(a) and Section 6.2(b) have been satisfied; and

(ii) counterparts of the Reinsurance Agreement, duly executed by Cedent.

(b) Reinsurer's Closing Deliveries. At the Closing, Reinsurer shall make the payment contemplated by Section 2.3 and also deliver to Cedent:

(i) a certificate of Reinsurer duly executed by an authorized officer of Reinsurer, dated as of the Closing Date, certifying that the conditions set forth in Section 6.3(a) and Section 6.3(b) have been satisfied; and

(ii) counterparts of the Reinsurance Agreement, duly executed by Reinsurer.

SECTION 2.3. Payment at Closing

(a) No later than five Business Days prior to the anticipated Closing Date, Cedent shall deliver to Reinsurer a statement, substantially in the form attached as Exhibit B ("Cedent's Estimated Net Settlement Statement"), which shall be prepared as an estimate in good faith by Cedent in accordance with the Reserve Methodology and the definitions thereof after giving effect to the Restructuring Transactions on a pro forma basis, and shall set forth, in reasonable detail, Cedent's estimated calculations of the Initial Ceded Total Reserves (the "Estimated Initial Ceded Total Reserves"), the Estimated Initial Economic Reserves, the Estimated Initial Allowance, the Initial Assumed IMR ("Estimated Initial Assumed IMR"), the Initial Discounted IMR (the "Estimated Initial Discounted IMR"), the Estimated Ceding Commission and the Initial Net Settlement. Cedent's Estimated Net Settlement Statement shall be accompanied by a certificate signed by a senior officer of Cedent that Cedent's Estimated Net Settlement Statement was prepared in accordance with this Section 2.3(a).

(b) As consideration for the reinsurance by Reinsurer of the Reinsured Policies and the Assumed IMR under the Reinsurance Agreement, on the Closing Date, Cedent shall pay to Reinsurer, pursuant to clause (d) of this Section 2.3 an amount equal to the sum of (i) the Estimated Initial Ceded Total Reserves and (ii) the Estimated Initial Assumed IMR, each as reflected on Cedent's Estimated Net Settlement Statement.

(c) Simultaneously with the transfer described in the foregoing clause (b), Reinsurer shall pay to Cedent, pursuant to clause (d) of this Section 2.3, an amount equal to the sum of (A) the Estimated Initial Allowance and (B) the Estimated Ceding Commission, each as reflected on Cedent's Estimated Net Settlement Statement and.

(d) On the Closing Date, Cedent and Reinsurer shall settle payments described in the foregoing clauses (b) and (c) on a net basis with Cedent paying to Reinsurer the Initial Net Settlement as reflected on Cedent's Estimated Net Settlement Statement in cash by wire transfer of immediately available funds to an account designated by Reinsurer at least two Business Days prior to the Closing Date.

SECTION 2.4. Post-Closing Adjustments.

(a) No later than ninety (90) days following the Closing Date, Cedent shall deliver to Reinsurer a statement, substantially in the form attached as Exhibit B (the "Cedent's Final Reserve Statement"), setting forth in reasonable detail Cedent's calculation of the Initial Ceded Total Reserves, the Initial Economic Reserves, the Initial Assumed IMR and the Initial Discounted IMR in accordance with the Reserve Methodology and the definitions thereof, which amounts shall be calculated, to the extent applicable, based upon the inventory of Reinsured Policies in-force as of the Effective Date that is included in the in force cession file to be delivered by Cedent to Reinsurer within ten (10) Business Days following the Closing Date pursuant to Section 3(a) of Article II and Exhibit VI-A of the Reinsurance Agreement. The Cedent's Final Reserve Statement shall be accompanied by a certificate signed by a senior officer of Cedent that Cedent's Final Reserve Statement was prepared in accordance with this Section 2.4(a).

(b) If Reinsurer reasonably disagrees that Cedent's Final Reserve Statement was not determined in accordance with Section 2.4(a) or believes that Cedent's Final Reserve Statement contains mathematical errors, Reinsurer may, within thirty (30) days after receipt of Cedent's Final Reserve Statement, deliver a notice of disagreement (a "Notice of Disagreement") to Cedent disagreeing with Cedent's Final Reserve Statement and specifying in reasonable detail each item that Reinsurer in good faith disputes (each, a "Disputed Item") and the amount in dispute for each such Disputed Item (determined in accordance with the Reserve Methodology). If Reinsurer does not deliver a Notice of Disagreement within such thirty (30) day period, then the Initial Ceded Total Reserves, the Initial Economic Reserves, the Initial Assumed IMR and the Initial Discounted IMR shall be deemed to equal the amount provided in Cedent's Final Reserve Statement.

(c) If a Notice of Disagreement was timely delivered pursuant to Section 2.4(b), Cedent and Reinsurer shall, during the fifteen (15) days following Cedent's receipt of such Notice of Disagreement (the "Resolution Period"), seek in good faith to reach agreement on the

Disputed Items. If, by the end of the Resolution Period, Cedent and Reinsurer are unable to reach such agreement with respect to all of the Disputed Items, they shall promptly thereafter engage and submit the unresolved Disputed Items (the "Unresolved Items") to Milliman (other than the Chicago office thereof) or other firm mutually agreed by the parties (the "Actuarial Firm") which shall promptly review this Agreement and the Unresolved Items. The Actuarial Firm shall issue its written determination with respect to each Unresolved Item within thirty (30) days after the Unresolved Items are submitted for review. The Actuarial Firm's determination of the Unresolved Items shall be in accordance with the Reserve Methodology and within the range of Cedent's and Reinsurer's disagreement with respect to each Unresolved Item, and the Actuarial Firm shall recalculate the Initial Ceded Total Reserves, the Initial Economic Reserves, the Initial Assumed IMR and the Initial Discounted IMR (as applicable) after giving effect to its resolution of the Unresolved Items. Each party shall use commercially reasonable efforts to furnish to the Actuarial Firm such work papers, books, records and documents and other information pertaining to the Unresolved Items as the Actuarial Firm may request. Absent manifest error, the determination of the Actuarial Firm shall be final, binding and conclusive on Cedent and Reinsurer. Judgment may be entered upon the determination by the Actuarial Firm in accordance with Section 9.7. The fees, expenses and costs of the Actuarial Firm incurred in rendering any determination pursuant to this Section 2.4 shall be split equally between Cedent and Reinsurer.

(d) Each party shall use commercially reasonable efforts to provide promptly to the other party all relevant information and reasonable access to employees as such other party may reasonably request in connection with its review of the Cedent's Estimated Net Settlement Statement, the Cedent's Final Reserve Statement or the Notice of Disagreement, as the case may be, including all work papers of the accountants who audited, compiled or reviewed such statements or notices (subject to the requesting party and its Representatives entering into any reasonable customary undertakings required by the other party's accountants in connection therewith), and shall otherwise cooperate in good faith with such other party to arrive at a final determination of the Initial Ceded Total Reserves, the Initial Economic Reserves, the Initial Assumed IMR and the Initial Discounted IMR; provided, that Cedent shall not be required to provide Reinsurer with any information set forth in the provisos to the definition of "Books and Records."

(e) As used herein, the "Adjusted Initial Ceded Total Reserves" "Adjusted Initial Economic Reserves," "Adjusted Initial Assumed IMR" and "Adjusted Initial Discounted IMR" shall be Initial Ceded Total Reserves, Initial Economic Reserves, Initial Assumed IMR and/or Initial Discounted IMR, respectively, each as finally determined pursuant to this Section 2.4. Following final determination of the Adjusted Initial Ceded Total Reserves, Adjusted Initial Economic Reserves, Adjusted Initial Assumed IMR and Adjusted Initial Discounted IMR, whether by the absence of timely delivery of Notice of Disagreement or pursuant to Section 2.4(c):

(i) Cedent shall pay to Reinsurer the excess, if any, of the Adjusted Initial Ceded Total Reserves over the Estimated Initial Ceded Total Reserves; and Reinsurer shall pay to Cedent the excess, if any, of the Estimated Initial Ceded Total Reserves over the Adjusted Initial Ceded Total Reserves;

(ii) Cedent shall pay to Reinsurer the excess, if any, of the Adjusted Initial Assumed IMR over the Estimated Initial Assumed IMR; and Reinsurer shall pay to Cedent the excess, if any, of the Estimated Initial Assumed IMR over the Adjusted Initial Assumed IMR;

(iii) Cedent shall pay to Reinsurer the excess, if any, of the Estimated Initial Discounted IMR over the Adjusted Initial Discounted IMR; and Reinsurer shall pay to Cedent the excess, if any, of the Adjusted Initial Discounted IMR over the Estimated Initial Discounted IMR; and

(iv) Cedent shall pay to Reinsurer the excess, if any, of the Estimated Initial Allowance over the Adjusted Allowance; and Reinsurer shall pay to Cedent the excess, if any, of the Adjusted Allowance over the Estimated Initial Allowance. "Adjusted Allowance" means the difference of the Adjusted Initial Ceded Total Reserves and the Adjusted Initial Economic Reserves.

The payments contemplated by the foregoing clauses (i)-(iv) of this Section 2.4(e) shall be settled on a net basis within five (5) Business Days after such amounts have been resolved pursuant to this Section 2.4, by wire transfer of immediately available funds to an account designated by Reinsurer or Cedent, as applicable. The amount of any payment to be made pursuant to this Section 2.4(e) shall not bear any interest.

ARTICLE III. REPRESENTATIONS AND WARRANTIES OF CEDENT

Subject to and as qualified by the matters set forth in the Cedent Disclosure Schedule (subject to Section 9.3(g)), Cedent represents and warrants to Reinsurer as of the date hereof and as of the Closing Date as follows:

SECTION 3.1. Organization, Standing and Corporate Power. Cedent is a life insurance company duly organized, validly existing and in good standing under the laws of the Commonwealth of Virginia. Cedent has all requisite corporate power and authority to carry on the operations of its business as they are now being conducted and to own, lease and operate its properties and assets. Cedent is duly qualified or licensed to do business as a foreign company in good standing in each jurisdiction in which the conduct of its business or the ownership, leasing or operation of its properties or assets makes such qualification necessary, except where the failure to be so qualified or licensed would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. As of the Closing Date, Cedent will have obtained all authorizations and approvals required under Applicable Law to perform the obligations contemplated of Cedent under the Transaction Agreements.

SECTION 3.2. Authority. Cedent has the requisite corporate power and authority to enter into the Transaction Agreements, to consummate the transactions contemplated thereby and to perform the obligations thereunder. The execution and delivery by Cedent of the Transaction Agreements, the consummation by Cedent of the transactions contemplated thereby and the performance by Cedent of its obligations thereunder have been duly authorized by all necessary corporate or other organizational action on the part of Cedent. Each of the Transaction

Agreements has been or, with respect to the Transaction Agreements to be executed and delivered at the Closing, will be duly executed and delivered by Cedent and, assuming the Transaction Agreements constitute legal, valid and binding agreements of the other parties thereto, constitute legal, valid and binding obligations of Cedent, enforceable against Cedent in accordance with their terms, except that (a) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium, or other similar laws, now or hereafter in effect, affecting creditors' rights generally and (b) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought (clauses (a) and (b) shall be referred to as, the "Enforceability Exceptions").

SECTION 3.3. Actions and Proceedings. Except as set forth in Section 3.3 of Cedent Disclosure Schedule, there are no:

- (a) outstanding orders, decrees, injunctions or judgments by or with any Governmental Authority ("Orders") in effect against the Cedent, GLIC or GLICNY that restrict materially the conduct of the Business or that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect; or
- (b) Actions pending or, to the Knowledge of Cedent, threatened in writing with respect to the Business (other than Actions solely involving claims under or in connection with Reinsured Policies in the ordinary course of business seeking only damages that are within applicable policy limits) that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

SECTION 3.4. No Conflict or Violation. Except as set forth in Section 3.4 of Cedent Disclosure Schedule, the execution, delivery and performance by Cedent of the Transaction Agreements and the consummation of the transactions contemplated thereby in accordance with the respective terms and conditions thereof will not:

- (a) violate any provision of the Articles of Incorporation, Bylaws or other organizational documents of Cedent;
- (b) violate, conflict with, result in the breach of any of the terms of, any loss of rights under or modification of the effect of, otherwise give any other contracting party the right to accelerate, terminate or cancel, or constitute (or with notice or lapse of time or both, constitute) a default under, any contract with respect to the Business to which Cedent is a party or by or to which any of its or their properties may be bound or subject;
- (c) violate any Order, judgment, injunction, condition, agreement, award or decree of any court, arbitrator or Governmental Authority, foreign or domestic, against or imposed or binding upon, Cedent; or
- (d) subject to obtaining the consents and approvals, making the filings and giving the notices referred to in Section 3.5, violate any Applicable Law; or

(e) result in a breach or violation of any of the terms or conditions of, constitute a default under, or otherwise cause an impairment or revocation of, any Permit related to the Business;

except, in the case of clauses (b), (c), (d) and (e) of this Section 3.4, for such breaches, losses of rights, accelerations, conflicts, modifications, terminations, violations, defaults, impairments or revocations that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

SECTION 3.5. Governmental Consents. No consent, approval or authorization of, or declaration or filing with, or notice to, any Governmental Authority is required by or with respect to Cedent in connection with the execution, delivery and performance of this Agreement or the Reinsurance Agreement by Cedent, or the consummation by Cedent of the transactions contemplated hereby or thereby, except for the approvals, filings, and notices set forth in Section 3.5 of the Cedent Disclosure Schedule and such consents, approvals, authorizations, declarations, filings, or notices that, if not obtained or made, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

SECTION 3.6. Compliance.

(a) Except as disclosed in Section 3.6(a) of the Cedent Disclosure Schedule, since January 1, 2013, the Business has been conducted in compliance in all material respects with Applicable Laws. Except as disclosed in Section 3.6 of the Cedent Disclosure Schedule, since January 1, 2013, none of Cedent or any of its Affiliates has received any written notice from any Governmental Authority regarding any actual or alleged violation of, or failure on the part of any Cedent or any of its Affiliates to comply with, any Applicable Law in any material respect with respect to the Business.

(b) Except as disclosed in Section 3.6(b) of the Cedent Disclosure Schedule, the collection, storage, use and dissemination by Cedent or its Affiliates in the operation of the Business of any Personal Information is and has, since January 1, 2013, been in compliance with all applicable privacy policies, terms of use, contractual requirements and Applicable Law except to the extent such failure to comply would not reasonably be expected to result in a Material Adverse Effect. Cedent and its Affiliates use commercially reasonable measures to protect the secrecy of Personal Information that they collect and maintain in connection with the Business and to prevent unauthorized access to such Personal Information by any Person. With respect to the Business, Cedent and its Affiliates engaged in the Business have implemented and maintain a security plan which (i) is designed to implement and monitor effective and commercially reasonable administrative, electronic and physical safeguards to ensure that confidential information and Personal Information are protected against unauthorized access, disclosure, use, modification or other misuse or misappropriation thereof and (ii) prescribes notification procedures in compliance with Applicable Laws in the case of any breach of security compromising Personal Information.

SECTION 3.7. Permits. Except as set forth in Section 3.7 of Cedent Disclosure Schedule, (a) to the Knowledge of Cedent, each of Cedent, GLIC and GLICNY, as applicable,

held, at the time it issued any Reinsured Policies, all material Permits required under Applicable Law in order to issue such Reinsured Policies, and (b) each of Cedent, GLIC and GLICNY, as applicable, holds all material Permits required under Applicable Law that are necessary to entitle them to conduct the Business as currently conducted. All such material Permits referred to under clause (b) of this Section 3.7 are valid and in full force and effect. Cedent is not an investment company subject to registration under the Investment Company Act of 1940, as amended.

SECTION 3.8. Insurance Matters.

(a) Except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect, since January 1, 2013, each of Cedent, GLIC and GLICNY has filed all reports, statements, registrations, filings or submissions that are required under Applicable Law to be filed with any Governmental Authority and that relate in whole or in substantial part to the Business, and all such reports, statements, documents, registrations, filings or submissions were true, complete and accurate when filed in all material respects. To the Knowledge of Cedent, Cedent has made available to Reinsurer true, correct and complete copies of all material reports, statements, documents, registrations, filings or submissions, and all reports on financial examination, market conduct reports and other reports (in final form) delivered by any Governmental Authority in respect of the Business since January 1, 2013. As of the date of this Agreement, none of Cedent, GLIC, GLICNY or any of their Affiliates is subject to any pending financial or market conduct examination by any Governmental Authority in connection with the Business except as set forth in Section 3.8(a) of Cedent Disclosure Schedule.

(b) Except as set forth in Section 3.8(b) of Cedent Disclosure Schedule, to the Knowledge of Cedent, the Reinsured Policies, to the extent required under Applicable Law, have been issued on forms approved by the applicable insurance regulatory authority or filed and not objected to by such insurance regulatory authority within the period provided for objection, in each case except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect. No material deficiencies have been asserted in writing by any Governmental Authority with respect to any such filings which have not been cured or otherwise resolved.

(c) Since January 1, 2013, the Reinsured Policies have been administered in all material respects in accordance with the applicable policy forms and requirements of Applicable Law.

(d) Except as set forth in Section 3.8(d) of Cedent Disclosure Schedule, and to the extent applicable to the Reinsured Policies, to the Knowledge of Cedent, each of Cedent, GLIC, GLICNY and their respective Affiliates is and has been in compliance in all material respects with all Applicable Laws regulating the marketing and sale of life insurance policies, regulating advertisements, requiring mandatory disclosure of policy information, requiring employment of standards to determine if the purchase of a policy or contract is suitable for an applicant, prohibiting the use of unfair methods of competition and deceptive acts or practices and regulating replacement transactions. For purposes of this Section 3.8(d), (i) "advertisement" means any material designed to create public interest in life insurance policies

or in an insurer, or in an insurance producer, or to induce the public to purchase, increase, modify, reinstate, borrow on, surrender, replace or retain such a policy or contract, and (ii) "replacement transaction" means a transaction in which a new life insurance policy is to be purchased by a prospective insured and the proposing producer knows or should know that one or more existing life insurance policies will lapse, or will be forfeited, surrendered, reduced in value or pledged as collateral.

SECTION 3.9. Reserved.

SECTION 3.10. Reinsurance.

(a) Section 3.10(a)(i) of Cedent Disclosure Schedule sets forth a complete list of Ceded Reinsurance Agreements in effect as of the date hereof. Cedent has made available to the Reinsurer true and correct copies of each of the Ceded Reinsurance Agreements. Except as set forth in Section 3.10(a)(ii) of Cedent Disclosure Schedule, no party to any Ceded Reinsurance Agreement has given the other party written notice of termination (provisional or otherwise) under any Ceded Reinsurance Agreement with respect to the Reinsured Policies. None of Cedent, GLIC or GLICNY, or, to the Knowledge of Cedent, any other party is in material breach or default under any Ceded Reinsurance Agreement. Except as set forth in Section 3.10(a)(iii) of Cedent Disclosure Schedule, each such Ceded Reinsurance Agreement with respect to the Reinsured Policies is in full force and effect and is valid and enforceable against Cedent, GLIC or GLICNY, as applicable, and, to the Knowledge of Cedent, each other party thereto in accordance with its terms, subject to the Enforceability Exceptions.

(b) Except for the Assumed Reinsurance Agreements or as set forth on Section 3.10(b) of the Cedent Disclosure Schedule, neither Cedent, GLIC nor GLICNY is a party to any reinsurance, retrocession or similar contracts under which any Person cedes to Cedent, GLIC or GLICNY any risks included in the Business, whether or not any such contract is currently accepting new business.

(c) As of the Closing Date, GLICNY will have no present right under the terms of the GLICNY Reinsurance Agreement to recapture all or any part of the reinsurance ceded thereunder, with or without giving of notice, as a result of the event described in Section 3.10(c) of the Cedent Disclosure Schedule.

(d) As of December 31, 2014, each Reinsured Policy was ceded, in whole or in part, pursuant to either the River Lake I Reinsurance Agreement or the River Lake II Reinsurance Agreement.

SECTION 3.11. Absence of Certain Changes. Except as set forth in Section 3.11 of Cedent Disclosure Schedule, from December 31, 2014 through the date hereof, (a) the Business has been conducted in all material respects in the ordinary course of business consistent with past practices, (b) there has not been any event, occurrence or condition of any character that has had, or which would, individually or in the aggregate, reasonably be expected to have, a Material Adverse Effect and (c) none of Cedent, GLIC, GLICNY, or any of their Affiliates has taken any action or failed to take any action that would have resulted in a breach of any of the covenants set forth in Section 5.1, had Section 5.1 been in effect since December 31, 2014.

SECTION 3.12. Cedent Financial Statements: Reserves.

(a) Financial Statements.

(i) Cedent has made available to Reinsurer true, correct and complete copies of the following statutory statements, as filed with the insurance regulatory authority of Cedent's state of domicile, together with the exhibits, schedules and notes thereto and any affirmations and certifications filed therewith: (A) Cedent's unaudited annual statutory financial statements, as of and for the years ended December 31, 2013 and December 31, 2014, (B) Cedent's audited annual statutory financial statements as of and for the year ended December 31, 2013, (C) Cedent's audited annual statutory financial statements as of and for the year ended December 31, 2014 (the "Audited 2014 Financial Statements") and (C) the unaudited quarterly statutory financial statements of Cedent as of and for the quarter ended June 30, 2015 (collectively, the "Cedent Financial Statements"). The Cedent Financial Statements have been prepared in accordance with the Domicile SAP applied on a consistent basis (except as may be indicated in the notes thereto) and present fairly, in all material respects, the statutory financial position, results of operations and cash flows of Cedent at and for the respective periods indicated therein. To the Knowledge of Cedent, no material deficiency has been asserted in writing by any Governmental Authority with respect to any Cedent Financial Statements that remains unresolved prior to the date hereof.

(ii) Subject to Section 9.12, the Insurance Reserves as of December 31, 2014 reflected on the Audited 2014 Financial Statements: (A) were computed in all material respects in accordance with generally accepted actuarial standards consistently applied and (B) were fairly stated in accordance with Domicile SAP and Applicable Law.

(b) Cedent has made available to Reinsurer a true, complete and correct copy of the "Actuarial Appraisal of River Lake I and River Lake II Blocks of Business" prepared by Milliman, Inc. ("Milliman") with respect to the Business dated April 20, 2015, and all supplements and addenda thereto (the "Actuarial Report"). Except as set forth in Section 3.12(b) of Cedent Disclosure Schedule, to the Knowledge of Cedent, the factual data furnished by Cedent and its Affiliates in writing to Milliman with respect to the Business for its use in connection with the preparation of the Actuarial Report (the "Cedent Factual Data") was (i) derived from the Books and Records, (ii) generated from the same underlying systems that were utilized by Cedent or its applicable Affiliates to prepare the Audited 2014 Financial Statements to the extent applicable and (iii) accurate in all material respects as of the date such Cedent Factual Data was furnished to Milliman. In the good faith judgment of Cedent and in the context of industry practices for the preparation of third party actuarial reports to be used in the sale of a block of life insurance business, the Cedent Factual Data was complete in all material respects as of the date furnished to Milliman. Except as set forth in Section 3.12(b) of the Cedent Disclosure Schedule, as of the date hereof, Milliman has not issued to Cedent or its Affiliates any new or revised report with respect to the Business or any errata with respect to the Actuarial

Report nor has it notified Cedent or any of its Affiliates that the Actuarial Report is inaccurate in any material respect. Notwithstanding anything in this Agreement to the contrary, Cedent does not guarantee the projected results included in the Actuarial Report, or make any representation or warranty (x) with respect to any estimates, projections, predications, forecasts, assumptions, methodologies and judgments in the Actuarial Report or the assumptions on the basis of which such information or data was prepared (including, without limitation, as to future mortality, policyholder behavior, expense, investment experience and other actuarial factors with respect to the Business or its associated liabilities or assets) or (y) to the effect that the projected profits set forth in the Actuarial Report will be realized.

(c) Except as set forth in Section 3.12(c) of the Cedent Disclosure Schedule or included in the Cedent Factual Data, from January 1, 2015 to the date hereof, none of Cedent or any of its Affiliates has received any written notice of any actual or proposed increase in the reinsurance rates payable under any Excess Reinsurance with respect to the Reinsured Policies, and no such increase has occurred.

(d) Except as set forth in Section 3.12(d) of the Cedent Disclosure Schedule or as contemplated by the Reinsurance Agreement, Cedent has not granted a security interest in the Recurring Reinsurance Premiums (as defined in the Reinsurance Agreement) to any Person.

SECTION 3.13. Books and Records. The Books and Records (i) have been maintained in all material respects in accordance with sound business practices and Applicable Law and (ii) to the Knowledge of Cedent, have been prepared using processes and procedures for which there are no material weaknesses or significant deficiencies in internal controls over financial reporting that adversely affect the ability of Cedent to accurately present and reflect in all material respects all of the Business and other transactions and actions related thereto.

SECTION 3.14. No Undisclosed Material Liabilities. The Business does not have any material Liabilities of a type that are required to be set forth on a balance sheet prepared in accordance with Domicile SAP, except (a) as set forth in Section 3.14 of Cedent Disclosure Schedule, (b) Liabilities disclosed or reserved against in the Cedent Financial Statements, or (c) liabilities and obligations that (x) were incurred after December 31, 2014 in the ordinary course of business and (y) would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

SECTION 3.15. Brokers and Finders. No broker, finder or financial adviser has acted directly or indirectly as such for, or is entitled to any compensation from, Cedent or any of its Affiliates in connection with this Agreement or the transactions contemplated hereby, except Goldman Sachs & Co., whose fees for services rendered in connection therewith will be paid by Cedent.

ARTICLE IV.
REPRESENTATIONS AND WARRANTIES OF REINSURER

Subject to and as qualified by the matters set forth in the Reinsurer Disclosure Schedule (subject to Section 9.3(g)), Reinsurer represents and warrants to Cedent as of the date hereof and as of the Closing Date as follows:

SECTION 4.1. Organization, Standing and Corporate Power. Reinsurer is a life insurance company duly organized, validly existing and in good standing under the laws of the State of Tennessee, and has all requisite corporate power and authority to carry on the operations of its business as they are now being conducted and to own, lease and operate its properties and assets. Reinsurer is duly qualified or licensed to do business as a foreign company in good standing in each jurisdiction in which the conduct of its business or the ownership, leasing or operation of its properties or assets makes such qualification necessary, except where the failure to be so qualified or licensed would not, individually or in the aggregate, reasonably be expected to have a Reinsurer Material Adverse Effect. As of the Closing Date, Reinsurer will have obtained all authorizations and approvals required under Applicable Law to perform the obligations contemplated of Reinsurer under the Transaction Agreements.

SECTION 4.2. Authority. Reinsurer has the requisite corporate power and authority to enter into the Transaction Agreements, to consummate the transactions contemplated thereby and to perform the obligations thereunder. The execution and delivery by Reinsurer of the Transaction Agreements, the consummation by Reinsurer of the transactions contemplated thereby and the performance by the Reinsurer of its obligations thereunder have been duly authorized by all necessary corporate or other organizational action on the part of Reinsurer. Each of the Transaction Agreements has been or, with respect to the Transaction Agreements to be executed and delivered at the Closing, will be duly executed and delivered by Reinsurer and, assuming the Transaction Agreements constitute legal, valid and binding agreements of the other parties thereto, constitute legal, valid and binding obligations of Reinsurer, enforceable against Reinsurer in accordance with their terms, except that enforcement may be subject to the Enforceability Exceptions.

SECTION 4.3. Actions and Proceedings. There are no:

(a) outstanding Orders in effect against Reinsurer that, individually or in the aggregate, would reasonably be expected to have a Reinsurer Material Adverse Effect; or

(b) Actions pending or, to the Knowledge of Reinsurer, threatened in writing against Reinsurer of any kind that would, individually or in the aggregate, reasonably be expected to have a Reinsurer Material Adverse Effect.

SECTION 4.4. No Conflict or Violation. The execution, delivery and performance by Reinsurer of the Transaction Agreements and the consummation of the transactions contemplated thereby in accordance with the respective terms and conditions thereof will not:

(a) violate any provision of the Articles of Incorporation, Bylaws or other organizational documents of Reinsurer;

(b) violate, conflict with, result in the breach of any of the terms of, any loss of rights under or modification of the effect of, otherwise give any other contracting party the right to accelerate, terminate or cancel, or constitute (or with notice or lapse of time or both, constitute) a default under, any contract to which Reinsurer is a party or by or to which any of its or their properties may be bound or subject;

(c) violate any Order, judgment, injunction, condition, agreement, award or decree of any court, arbitrator or Governmental Authority, foreign or domestic, against or imposed or binding upon, Reinsurer; or

(d) subject to obtaining the consents and approvals, making the filings and giving the notices referred to in Section 4.5, violate any Applicable Law; or

(e) result in a breach or violation of any of the terms or conditions of, constitute a default under, or otherwise cause an impairment or revocation of, any Permit related to the Reinsurer's business;

except, in the case of clauses (b), (c), (d) and (e) of this Section 4.4, for such breaches, losses of rights, accelerations, conflicts, modifications, terminations, violations, defaults, impairments or revocations that would not, individually or in the aggregate, reasonably be expected to have a Reinsurer Material Adverse Effect.

SECTION 4.5. Governmental Consents. No consent, approval or authorization of, or declaration or filing with, or notice to, any Governmental Authority is required by or with respect to Reinsurer in connection with the execution, delivery and performance of this Agreement or the Reinsurance Agreement by Reinsurer, or the consummation by Reinsurer of the transactions contemplated hereby or thereby, except for the approvals, filings, and notices set forth in Section 4.5 of the Reinsurer Disclosure Schedule and such consents, approvals, authorizations, declarations, filings, or notices that, if not obtained or made, would not, individually or in the aggregate, reasonably be expected to have a Reinsurer Material Adverse Effect.

SECTION 4.6. Compliance. Except as disclosed in Section 4.6 of the Reinsurer Disclosure Schedule, since January 1, 2013 Reinsurer is and has been in compliance in all material respects with all Applicable Laws, its Articles of Incorporation and Bylaws or other organizational documents and all material Permits issued to Reinsurer by any Governmental Authority, except for any non-compliance which would not, individually or in the aggregate, reasonably be expected to have a Reinsurer Material Adverse Effect.

SECTION 4.7. Licensing Status. Reinsurer is licensed in Cedent's Domicile such that Cedent could take Credit For Reinsurance if the cession contemplated by the Reinsurance Agreement occurred on the date hereof (with respect to this representation and warranty given as of the date hereof) and on the Closing Date (with respect to this representation and warranty given as of the Closing Date).

SECTION 4.8. Brokers and Finders. No broker, finder or financial adviser has acted directly or indirectly as such for, or is entitled to any compensation from, Reinsurer or its Affiliates in connection with this Agreement or the transactions contemplated hereby, except for any such broker, finder or financial adviser, whose fees for services rendered in connection herewith will be paid by Reinsurer.

ARTICLE V.
COVENANTS

SECTION 5.1. Conduct of Business of the Company. Except as expressly permitted by this Agreement, as required by Applicable Law or Domicile SAP, as set forth in Section 5.1 of the Cedent Disclosure Schedule, as Reinsurer otherwise consents in writing (which consent shall not be unreasonably withheld, conditioned, or delayed) or in the event Reinsurer fails to respond to a written request for consent within five (5) Business Days after receipt of such request, from the date of this Agreement to the Closing Date, Cedent shall operate the Business in the ordinary course of business consistent with past practice and use commercially reasonable efforts to preserve intact the current relationships of the Business with its employees, policyholders, Insurance Regulators and others having material relationships with the Business. Without limiting the generality of the foregoing, from the date of this Agreement to the Closing Date, except as expressly permitted by this Agreement, as required by Applicable Law or Domicile SAP, as set forth in Section 5.1 of the Cedent Disclosure Schedule, as Reinsurer otherwise consents in writing (which consent shall not, other than with respect to clauses (e) or (g) of this Section 5.1, be unreasonably withheld, conditioned, or delayed) or in the event Reinsurer fails to respond to a written request for consent within five (5) Business Days after receipt of such request, Cedent shall not, and shall not cause or permit any of its Affiliates to, do any of the following without the consent of Reinsurer:

(a) make any material change in the conduct of the Business, including the licensure of Cedent as an insurer or reinsurer in the State of Delaware, Commonwealth of Virginia or change the Domicile of Cedent to the State of New York;

(b) make any material change in the accounting, actuarial, financial reporting, reserving or claims administration policies, practices, or principles used in connection with the Business;

(c) (A) waive or release any material claim or litigation or waive any material right with respect to the Business, other than in the ordinary course of business consistent with past practice, or (B) enter into any settlement or release with respect to any Action or Order with respect to the Business (except for claims under Reinsured Policies in the ordinary course of business consistent with past practice and within applicable policy limits), unless such settlement or release contemplates only the payment of money without ongoing limits on the conduct or operation of the Business;

(d) abandon, modify, waive or terminate any material Permit to the extent used in the Business;

(e) (A) amend, terminate (or consent to the termination of), waive any material rights under or, other than pursuant to its current terms and in the ordinary course of business consistent with past practice, renew or extend, any Ceded Reinsurance Agreements with respect to the Reinsured Policies or settle any disputes thereunder to the extent that any such actions relate in whole or in part to the Reinsured Policies or (B) enter into any new reinsurance agreement that would constitute a Ceded Reinsurance Agreement with respect to any Reinsured Policy or, in each case, cause or permit GLIC, GLICNY, Jamestown, RLI or RLII to take any such action;

(f) except in the ordinary course of business consistent with past practice, make any material changes in the terms or policies with respect to the payment of commissions or other compensation to any Producers with respect to the Business;

(g) terminate, recapture any liabilities ceded under, commute, modify, supplement, amend or waive compliance with any material provision of the Assumed Reinsurance Agreements; or

(h) enter into a binding agreement to take any of the foregoing actions.

SECTION 5.2. Access to Information; Confidentiality. From and after the date hereof until the earlier of the Closing Date or the termination of this Agreement, Reinsurer, at its own expense, shall have the right to inspect all Books and Records and to interview employees or officers of Cedent or its Affiliates having knowledge of the Business at any reasonable time during normal business hours at the office of Cedent, in each case as Reinsurer may reasonably request; provided, however, that Cedent shall not be obligated to provide access to any such Books and Records if doing so would violate a contract, agreement or obligation of confidentiality owing to a third party or jeopardize the protection of an attorney-client privilege, it being understood that Cedent shall use commercially reasonable efforts to obtain waivers or make other arrangements (including by redacting information or entering into joint defense agreements) to enable such information to be furnished or made available to Reinsurer without so jeopardizing privilege or contravening such obligation. Without limiting the terms thereof, the Confidentiality Agreement shall govern the obligations of Reinsurer and its Representatives with respect to all information of any type furnished or made available to them pursuant to this Section 5.2.

SECTION 5.3. Confidentiality of Policyholder Personal Information. From and after the date hereof, Cedent shall not, and shall cause its Affiliates and its and their directors, officers and employees not to, disclose to any Person (including any of the Producers or any other insurance agent, broker or other producer) any personally identifiable information pertaining to the holders of Reinsured Policies ("Policyholder Personal Information"), including in connection with any "program of internal replacement", except for disclosures (a) to any Producers in connection with the ordinary course administration of the Reinsured Policies produced or marketed by such Producers, consistent with past practices, (b) required by Applicable Law or any Governmental Authority after prior notice has been given to Reinsurer, if reasonably practicable (including any report, statement, testimony or other submission to such Governmental Authority), or (c) as may be reasonably necessary to be disclosed in connection

with any dispute with respect to the Transaction Agreements (including in response to any summons, subpoena or other legal process or formal or informal investigative demand issued to Cedent or its Affiliates in the course of any litigation, investigation, arbitration or administrative proceeding). Cedent shall instruct its directors, officers and employees having access to Policyholder Personal Information of the confidentiality obligations set forth in this [Section 5.3](#), and Cedent shall be liable to Reinsurer for any violation of such obligations by such Persons. Notwithstanding anything in this Section to the contrary, the parties acknowledge and agree that each party may share any Policyholder Personal Information with (i) any Insurance Regulator or (ii) the Internal Revenue Service or any other taxing authority as each party deems necessary or advisable in its good faith judgment.

SECTION 5.4. Commercially Reasonable Efforts. Upon the terms and subject to the conditions and other agreements set forth in this Agreement, each of the parties agrees to use commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper, or advisable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by the Transaction Agreements.

SECTION 5.5. Consents, Approvals and Filings.

(a) Subject to the terms and conditions hereof, Cedent and Reinsurer shall each use its reasonable best efforts, and shall cooperate fully with each other: (i) to comply as promptly as practicable with all requirements of Government Authorities applicable to the transactions contemplated by the Transaction Agreements; and (ii) to obtain as promptly as practicable all necessary permits, orders, or other consents, approvals or authorizations of Governmental Authorities and consents or waivers of all other third parties necessary in connection with the consummation of the transactions contemplated by the Transaction Agreements (including, for all purposes of this [Section 5.5](#), those set forth in Section 3.5 of the Cedent Disclosure Schedule and those set forth in Section 4.5 of the Reinsurer Disclosure Schedule, and, except as otherwise expressly provided in this [Section 5.5](#), the Financing Approvals). In connection therewith, Cedent and Reinsurer shall make and cause their respective Affiliates to make all legally required filings as promptly as practicable in order to facilitate prompt consummation of the transactions contemplated by the Transaction Agreements, shall provide and shall cause their respective Affiliates to provide such information and communications to Governmental Authorities as such Governmental Authorities may request, shall take and shall cause their respective Affiliates to take all steps that are necessary, proper or advisable to avoid any Action by any Governmental Authority with respect to the transactions contemplated by the Transaction Agreements, and shall defend or contest in good faith any Action by any third party (including any Governmental Authority), whether judicial or administrative, challenging any of the Transaction Agreements or the transactions contemplated thereby, or that could otherwise prevent, impede, interfere with, hinder, or delay in any material respect the consummation of the transactions contemplated thereby, and shall consent to and comply with any condition imposed by any Governmental Authority on its grant of any such permit, order, consent, approval, or authorization, other than any such condition that, in the case of Cedent, results in a material impairment of the aggregate economic benefits, taken as a whole, that, as of the date hereof, Cedent and its Affiliates reasonably expect to obtain from the

transactions contemplated by the Transaction Agreements (a "Burdensome Condition"). Subject to Section 5.5(d), each of the parties shall provide to the other party copies of all applications or other communications to Governmental Authorities in connection with this Agreement in advance of the filing or submission thereof; provided, in no event will any party be required to disclose to the other party any trade secrets or personally identifiable information or personal financial information in respect of itself or any of its Representatives.

(b) Without limiting the generality of the foregoing, promptly following the date hereof, each of Reinsurer and Cedent shall, and shall cause their respective Affiliates to, file with all applicable Insurance Regulators requests for approval that are required to be obtained by Reinsurer, Cedent or such Affiliates, respectively, in connection with the transactions contemplated by the Transaction Agreements. Subject to Section 5.5(d):

(i) a reasonable time prior to furnishing any written materials to any Insurance Regulator in connection with the transactions contemplated by the Transaction Agreements, each party shall furnish to the other party a copy thereof (provided, in no event will any party be required to disclose to the other party any trade secrets or personally identifiable information or personal financial information in respect of itself or any of its Representatives), and such other party shall have a reasonable opportunity to provide comments thereon, which comments shall be considered in good faith by the party furnishing such information to the Insurance Regulator;

(ii) each party shall give to the other party prompt written notice if it receives any notice or other communication from any Insurance Regulator in connection with the transactions contemplated by the Transaction Agreements, and, in the case of any such notice or communication that is in writing, shall promptly furnish the other party with a copy thereof, provided that any such notice or communication may be redacted by the receiving party to the extent related to matters other than approvals of Governmental Authorities necessary in connection with the consummation of the transactions contemplated by the Transaction Agreements; and

(iii) each party shall give to the other party reasonable prior written notice of the time and place when any meetings, telephone calls (except with respect to routine administrative matters), or other conferences may be held by it with any Insurance Regulator in connection with the transactions contemplated by the Transaction Agreements, and the other party shall have the right to have a representative or representatives attend or otherwise participate in any such meeting, telephone call, or other conference.

(c) Reinsurer and Cedent shall, upon request, furnish each other with all information concerning themselves, their respective Affiliates, directors, officers and shareholders, the Business and such other matters as may be reasonably necessary or advisable in connection with the preparation of any statement, filing, notice or application made by or on their behalf to any Governmental Authority in connection with the transactions contemplated by the Transaction Agreements.

(d) Without limiting the generality of the foregoing, Reinsurer will use its reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable to obtain by December 31, 2015 all of the Financing Approvals; it being understood that if the Financing Approvals are not obtained prior to December 31, 2015, Reinsurer shall continue to use its reasonable best efforts to so obtain such approvals as promptly as practicable thereafter. Reinsurer shall keep Cedent generally informed on an ongoing basis with regard to the status of its efforts to obtain the Financing Approvals; but Reinsurer shall have no obligation to disclose to Cedent any filings or applications with, or other communications made to or received from, any Governmental Authority to the extent related to the Financing Approvals or the reserve funding transaction contemplated thereby (the "Reserve Funding Transaction"), or to afford Cedent the opportunity to comment thereon. Cedent shall not be entitled to participate in any meeting, telephone call or other conference between Reinsurer (or any of its Representatives) and any Governmental Authority, in each case to the extent relating to the Financing Approvals or the Reserve Funding Transaction.

SECTION 5.6. Ceded Reinsurance Agreements.

(a) From the date hereof until the earlier to occur of the Closing Date and the termination of this Agreement, Cedent will use its reasonable best efforts to seek consents from the reinsurers under the Ceded Reinsurance Agreements to waive any retention requirements applicable to the Reinsured Policies under the applicable Ceded Reinsurance Agreements or to seek such other consents, waivers or the taking of such other actions from or by such reinsurers as may be reasonable, necessary or appropriate in furtherance of the transactions contemplated by this Agreement and the Reinsurance Agreement, it being understood and agreed that "reasonable best efforts" for purposes of this Section 5.6(a) shall not be deemed to obligate Cedent or any of its Affiliates to make any payments or otherwise pay any consideration to any Person in connection with any such consents, waivers or other actions under the Ceded Reinsurance Agreements. Reinsurer shall, at the request of Cedent, reasonably cooperate in good faith with Cedent in seeking such consents, waivers and the taking of such other actions; provided, that the Reinsurer shall not be obligated to make any payments or otherwise pay any consideration to any Person in connection with any such consents, waivers or other actions.

(b) Notwithstanding anything in this Section 5.6 to the contrary, the failure to obtain any approval described in Section 5.6(a) shall not (i) constitute a failure to satisfy any condition set forth in Article VI or (ii) otherwise relieve any Person from its obligation to consummate the transactions contemplated by the Transaction Agreements.

(c) In the event that Cedent is unable to obtain a waiver of any retention requirement described in Section 5.6(a), the parties shall negotiate in good faith revisions to the Reinsurance Agreement to provide for the retention by Cedent and/or its Affiliates of the minimum amount of Reinsured Benefits required in order for Cedent or its Affiliates, as applicable, to comply with such retention requirements.

(d) From the date hereof until the earlier to occur of the Closing Date and the termination of this Agreement, in the event Cedent, GLIC, GLICNY or any of their respective Affiliates receives written notice of a proposed increase in the reinsurance rates with respect to the Reinsured Policies payable under any Ceded Reinsurance Agreement, Cedent shall, as promptly as practicable, give to the Reinsurer, or ensure that the Reinsurer is given, written notice of such proposed rate increase and copies of any related written correspondence from the reinsurer under such Ceded Reinsurance Agreement with respect to such proposed rate increase. To the extent reasonably practicable, Cedent shall, or shall cause the applicable ceding company under such Ceded Reinsurance Agreement to, request an extension of time to respond to such proposed increase until after the Closing (at which time the applicable provisions of Section 4 of Article II of the Reinsurance Agreement shall apply). To the extent that such an extension of time has not been obtained, Cedent shall respond to such proposed increase (to the extent applicable to risks arising in respect of the Reinsured Policies) in good faith and in a manner consistent with past practice.

SECTION 5.7. Reserved.

SECTION 5.8. Restructuring Transactions. Cedent shall use its reasonable best efforts to complete each of the Restructuring Transactions on or prior to the Closing. Reinsurer shall, at the request of Cedent and at Cedent's sole cost and expense, reasonably cooperate in good faith with Cedent to complete the Restructuring Transactions. To the extent that any Restructuring Transactions have not been completed upon the Closing, Cedent shall continue to use its reasonable best efforts to complete any remaining Restructuring Transactions as soon as possible following the Closing; provided, that such obligation shall terminate upon the issuance of a final written decision of any applicable Governmental Authority, the approval of which is reasonably necessary to consummate such Restructuring Transaction, denying such approval.

SECTION 5.9. Public Announcements. Reinsurer and Cedent, and their respective Affiliates, shall consult with each other before issuing, and provide each other the opportunity to review and comment upon, any press release or other public statement with respect to the transactions contemplated by the Transaction Agreements and shall not issue any such press release or make any such public statement with respect to such matters without the advance approval of the other party following such consultation (such approval not to be unreasonably withheld, delayed, or conditioned), except as may be required by Applicable Law or by the requirements of any securities exchange; provided that, in the event that any party is required by Applicable Law or the requirements of any securities exchange to issue any such press release or make any public statement and it is not feasible to obtain the advance approval of the other party hereto as required by this Section 5.9, the party that issues such press release or makes such statement shall provide the other party with notice and a copy of such press release or statement as soon as reasonably practicable.

SECTION 5.10. Further Assurances. Cedent and Reinsurer shall execute and deliver, or shall cause to be executed and delivered, such documents, certificates, agreements, and other writings and shall take, or shall cause to be taken, such further actions as may be reasonably required or requested by any party or its Affiliates to carry out the provisions of the Transaction Agreements and consummate or implement expeditiously the transactions contemplated by the Transaction Agreements.

ARTICLE VI.
CONDITIONS PRECEDENT

SECTION 6.1. Conditions to Each Party's Obligations. The obligations of Reinsurer and Cedent to consummate the transactions contemplated hereby shall be subject to the satisfaction or waiver in writing at or prior to the Closing of the following conditions:

(a) Approvals. All consents, approvals or authorizations of, declarations or filings with, or notices to any Governmental Authority in connection with the transactions contemplated hereby that are set forth in Section 3.5 of the Cedent Disclosure Schedule or Section 4.5 of the Reinsurer Disclosure Schedule, other than the Financing Approvals, shall have been obtained or made and shall be in full force and effect, and all waiting periods required under Applicable Law with respect thereto shall have expired or been terminated.

(b) No Injunctions or Restraints. No temporary restraining order, preliminary or permanent injunction, or other order issued by any court of competent jurisdiction and no statute, rule, or regulation of any Governmental Authority preventing the consummation of the material transaction contemplated by the Transaction Agreements shall be in effect.

SECTION 6.2. Conditions to Obligations of Reinsurer. The obligations of Reinsurer to consummate the transactions contemplated hereby shall be subject to the satisfaction or waiver in writing at or prior to the Closing of the following additional conditions:

(a) Representations and Warranties. (i) The representations and warranties of Cedent set forth in this Agreement, other than the Cedent Fundamental Representations (without giving effect to any limitation set forth therein as to materiality or Material Adverse Effect) shall be true and correct on and as of the date hereof and on and as of the Closing Date as though made on and as of the Closing Date (except to the extent any such representation and warranty speaks only as of an earlier date, in which event such representation and warranty shall have been true and correct as of such date), except where the failure of all such representations and warranties to be so true and correct would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and (ii) the Cedent Fundamental Representations shall be true and correct in all respects on and as of the date hereof and on and as of the Closing Date with the same effect as though made on and as of the Closing Date (except for representations and warranties that are made as of a specific date, which representations and warranties shall be true and correct at and as of such date).

(b) Performance of Obligations of Cedent. Cedent shall have performed and complied in all material respects with all agreements, obligations, and covenants required to be performed or complied with by it under this Agreement on or prior to the Closing Date.

(c) Closing Deliveries. Cedent shall have delivered or caused to be delivered to Reinsurer each of the documents required to be delivered by it pursuant to Section 2.2.

(d) Restructuring Transactions. Each of the Restructuring Transactions identified in Annex B shall have been completed in accordance with Annex B.

(e) No Material Adverse Effect. Since the date of this Agreement, there shall not have occurred any fact, event, circumstance, effect, development, occurrence or condition of any character that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

SECTION 6.3. Conditions to Obligations of Cedent. The obligations of Cedent to consummate the transactions contemplated hereby shall be subject to the satisfaction or waiver in writing at or prior to the Closing of the following additional conditions:

(a) Representations and Warranties. (i) The representations and warranties of Reinsurer set forth in this Agreement, other than the Reinsurer Fundamental Representations (without giving effect to any limitation set forth therein as to materiality) shall be true and correct on and as of the date hereof and on and as of the Closing Date as though made on and as of the Closing Date (except to the extent any such representation and warranty speaks only as of an earlier date, in which event such representation and warranty shall have been true and correct as of such date), except where the failure of all such representations and warranties to be so true and correct would not, individually or in the aggregate, reasonably be expected to have a Reinsurer Material Adverse Effect, and (ii) the Reinsurer Fundamental Representations shall be true and correct in all respects on and as of the date hereof and on and as of the Closing Date with the same effect as though made on and as of the Closing Date (except for representations and warranties that are made as of a specific date, which representations and warranties shall be true and correct at and as of such date).

(b) Performance of Obligations of Reinsurer. Reinsurer shall have performed and complied in all material respects with all agreements, obligations, and covenants required to be performed or complied with by it under this Agreement on or prior to the Closing Date.

(c) Closing Deliveries. Reinsurer shall have delivered or caused to have delivered to Cedent each of the documents required to be delivered by it pursuant to Section 2.2.

(d) Absence of Burdensome Condition. The consents, approvals or authorizations of, declarations or filings with, or notices to any Governmental Authority described in Section 6.1(a) shall have been obtained or made without the imposition of a Burdensome Condition.

ARTICLE VII.
INDEMNIFICATION

SECTION 7.1. Survival of Representations, Warranties and Covenants.

(a) The representations and warranties of Cedent and Reinsurer contained in this Agreement shall survive the Closing solely for purposes of this Article VII and shall terminate and expire on the date that is eighteen (18) months following the Closing Date; provided that the representations and warranties made in Sections 3.1 (Organization, Standing and Corporate Power), 3.2 (Authority) and 3.15 (Brokers and Finders) (the "Cedent Fundamental Representations") and Sections 4.1 (Organization, Standing and Corporate Power), 4.2 (Authority) and 4.8 (Brokers and Finders) (the "Reinsurer Fundamental Representations") shall survive until the expiration of the applicable statute of limitations.

(b) To the extent that it is to be performed after the Closing, each covenant in this Agreement will, for purposes of this Article VII, survive and remain in effect in accordance with its terms plus a period of six (6) months thereafter, after which no claim for indemnification with respect thereto may be brought hereunder. All covenants in this Agreement that by their terms are required to be fully performed prior to the Closing will survive until the date that is six (6) months after the Closing Date, after which time no claim for indemnification with respect thereto may be brought hereunder.

(c) Any claim for indemnification in respect of any breach of representation, warranty or covenant that is not asserted by notice given as required herein prior to the expiration of the applicable survival period specified in this Section 7.1 shall not be valid and any right to indemnification is hereby irrevocably waived after the expiration of such period of survival. Any claim properly made for an Indemnifiable Loss in respect of such a breach asserted within such period of survival as herein provided will be timely made for purposes hereof.

SECTION 7.2. Indemnification.

(a) Cedent shall indemnify, defend and hold harmless Reinsurer, its Affiliates and their respective directors, officers, employees, successors and permitted assigns (collectively, the "Reinsurer Indemnified Persons") from and against any and all Indemnifiable Losses resulting from or arising out of:

(i) any breach of any representation or warranty of Cedent made in Article III of this Agreement (other than Section 3.12(b) and Section 3.12(c)); or

(ii) any breach or nonfulfillment of any agreement or covenant of Cedent under this Agreement.

(b) Reinsurer shall indemnify, defend and hold harmless Cedent, its Affiliates and their respective directors, officers, employees, successors and permitted assigns (collectively, the "Cedent Indemnified Persons") from and against any and all Indemnifiable Losses resulting from or arising out of:

(i) any breach of any representation or warranty of Reinsurer made in Article IV of this Agreement; or

(ii) any breach or nonfulfillment of any agreement or covenant of Reinsurer under this Agreement.

(c) For purposes of determining whether any representation or warranty has been breached and the amount of any Indemnifiable Losses under this Article VII, each representation and warranty contained in this Agreement shall be read without regard to any materiality or Material Adverse Effect (which instead will be read as an adverse effect or change) qualifier contained therein, except for any such limitation or qualification contained in Section 3.11(b).

SECTION 7.3. Certain Limitations.

(a) No party shall be obligated to indemnify and hold harmless its respective Indemnitees under Section 7.2(a)(i) (in the case of Cedent) or Section 7.2(b)(i) (in the case of Reinsurer), other than in respect of any breach of any Cedent Fundamental Representations or Reinsurer Fundamental Representations (as applicable) (i) with respect to any claim or claims based on substantially similar facts, events or circumstances, unless such claim or claims involve Indemnifiable Losses in excess of \$50,000 (the "Threshold Amount") (nor shall any claim that does not exceed the Threshold Amount be applied to or considered for purposes of calculating the amount of Indemnifiable Losses for which the Indemnitor is responsible under clause (ii) below), and (ii) unless and until the aggregate amount of all Indemnifiable Losses of the Indemnitees under such Sections 7.2(a)(i) (except in respect of Cedent Fundamental Representations) or such Section 7.2(b)(i) (except in respect of Reinsurer Fundamental Representations), as the case may be, exceeds \$1,050,000 for all Indemnifiable Losses (the "Deductible"), at which point such Indemnitor shall be liable to its respective Indemnitees for the value of such claims under Sections 7.2(a)(i) or such Section 7.2(b)(i), as the case may be, that is in excess of the Deductible, subject to the limitations set forth in this Article VII. The maximum aggregate liability of Cedent, on the one hand, and Reinsurer, on the other hand, to their respective Indemnitees for any and all Indemnifiable Losses under Section 7.2(a)(i) (except in respect of a breach of the Cedent Fundamental Representations), in the case of Cedent, or Section 7.2(b)(i) (except in respect of a breach of the Reinsurer Fundamental Representations), in the case of Reinsurer, shall be an amount equal to \$14,000,000.

(b) No Reinsurer Indemnified Person shall be entitled to indemnification with respect to any particular Indemnifiable Loss to the extent the related damages, losses, liabilities, obligations, costs, or expenses were included in the calculation of the Adjusted Initial Ceded Total Reserves.

(c) In the event a claim or any Action for indemnification under this Article VII has been finally determined, the amount of such final determination shall be paid (i) if the Indemnified Party is a Reinsurer Indemnified Person, by Cedent to the Reinsurer

Indemnified Person and, (ii) if the Indemnified Party is a Cedent Indemnified Person, by Reinsurer to the Cedent Indemnified Person, in each case on demand by wire transfer of immediately available funds to an account designated by Cedent or Reinsurer, as applicable. A claim or an Action, and the liability for and amount of damages therefor, shall be deemed to be “finally determined” for purposes of this Article VII when the parties to this Agreement have so determine by mutual agreement or, if disputed, when a final order, judgment, or decree of any Governmental Authority has been entered into with respect to such claim or Action.

(d) Notwithstanding anything contained in this Agreement to the contrary, in the event that any fact, event, or circumstance that results in an adjustment under Section 2.4 would also constitute a breach of or inaccuracy in any of Cedent’s representations, warranties, covenants, or agreement under this Agreement, Cedent shall have no obligation to indemnify any Reinsurer Indemnified Person with respect to such breach or inaccuracy to the extent such indemnification would result in a duplicate recovery.

(e) The parties hereto acknowledge and agree that, except as set forth in (i) Article II, (ii) Section 9.7(b), (iii) the Reinsurance Agreement and (iv) with respect to causes of action arising out from actual fraud, if the Closing occurs, their sole and exclusive remedy following the Closing at law or equity with respect to this Agreement, the transactions contemplated hereby, or any other matter relating to any party or its Affiliates prior to the Closing, in each case regardless of the legal theory under which such liability or obligation may be sought to be imposed, whether sounding in contract or in tort, whether at law or in equity, or otherwise, shall be pursuant to the provisions set forth in this Article VII.

(f) Notwithstanding anything contained in this Agreement to the contrary, the Reinsurer shall have no rights and remedies whatsoever under this Agreement, including any claim for indemnification under this Article VII or injunctive relief, in connection with any breach by Cedent of the representations and warranties contained in Section 3.12(b) or Section 3.12(c), except as expressly set forth in Section 6.2(a)(i).

SECTION 7.4. Procedures for Third Party Claims.

(a) If any Indemnitee receives notice of assertion or commencement of any Third Party Claim against such Indemnitee in respect of which an Indemnitor may be obligated to provide indemnification under this Agreement, the Indemnitee shall give such Indemnitor reasonably prompt written notice (but in no event later than thirty (30) calendar days after becoming aware) thereof and such notice shall include a reasonable description of the claim and any documents relating to the claim and an estimate of the Indemnifiable Loss and shall reference the specific sections of this Agreement that form the basis of such claim; provided that no delay on the part of the Indemnitee in notifying any Indemnitor shall relieve the Indemnitor from any obligation hereunder unless (and then solely to the extent) the Indemnitor is actually prejudiced by such delay (except that the Indemnitor shall not be liable for any expenses incurred during the period in which the Indemnitee failed to give such notice). Thereafter, the Indemnitee shall deliver to the Indemnitor, within five calendar days after the Indemnitee’s receipt thereof, copies of all notices and documents (including court papers) received by the Indemnitee relating to the Third Party Claim.

(b) The Indemnitor shall be entitled to participate in the defense of any Third Party Claim and, if it so chooses, to assume the defense thereof with counsel selected by the Indemnitor. Any election by the Indemnitor to assume the defense of a Third Party Claim must be delivered by the Indemnitor to the Indemnitee within fifteen (15) Business Days after receipt by the Indemnitor of the Indemnitee's notice delivered pursuant to Section 7.4(a). Such assumption of defense shall not be deemed to be an admission or assumption of liability by the Indemnitor. Should the Indemnitor so elect to assume the defense of a Third Party Claim, the Indemnitor shall not as long as it conducts such defense be liable to the Indemnitee for legal expenses subsequently incurred by the Indemnitee in connection with the defense thereof. If the Indemnitor assumes such defense, the Indemnitee shall have the right to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the Indemnitor, it being understood that the Indemnitor shall control such defense. The Indemnitor shall be liable for the reasonable fees and expenses of counsel employed by the Indemnitee for any period during which the Indemnitor has not assumed the defense thereof (other than during any period in which the Indemnitee shall have not yet given notice of the Third Party Claim as provided above). If the Indemnitor chooses to defend any Third Party Claim, all of the parties hereto shall, and shall cause their respective Affiliates to, cooperate in the defense thereof. Such cooperation shall include the retention and (upon the Indemnitor's request at the Indemnitor's expense) the provision to the Indemnitor of records and information that are relevant to such Third Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Whether or not the Indemnitor shall have assumed the defense of a Third Party Claim, the Indemnitee shall not admit any liability with respect to, or pay, settle, compromise, or discharge, such Third Party Claim without the Indemnitor's prior written consent, and any such admission, payment, settlement, compromise, or discharge without the Indemnitor's prior written consent shall be deemed to be a waiver by the Indemnitee of any right to indemnity for all Indemnifiable Losses related to such Third Party Claim. If the Indemnitor has assumed the defense of a Third Party Claim, the Indemnitor may only pay, settle, compromise, or discharge a Third Party Claim with the Indemnitee's prior written consent (which consent shall not be unreasonably withheld, conditioned, or delayed); provided that the Indemnitor may pay, settle, compromise, or discharge such a Third Party Claim without the written consent of the Indemnitee if such settlement (i) includes a release of the Indemnitee from all liability in respect of such Third Party Claim, (ii) does not subject the Indemnitee to any injunctive relief or other equitable remedy, and (iii) does not include a statement or admission of fault, culpability, or failure to act by or on behalf of the Indemnitee. If the Indemnitor submits to the Indemnitee a bona fide settlement offer that satisfies the requirements set forth in the proviso of the immediately preceding sentence and the Indemnitee refuses to consent to such settlement, then thereafter the Indemnitor's liability to the Indemnitee with respect to such Third Party Claim shall not exceed the Indemnitor's portion of the settlement amount included in such settlement offer, and the Indemnitee shall either assume the defense of such Third Party Claim or pay the Indemnitor's attorney's fees and other out-of-pocket costs incurred thereafter in continuing the defense of such Third Party Claim.

SECTION 7.5. Direct Claims. The Indemnitor will have a period of thirty (30) days within which to respond in writing to any claim by an Indemnitee on account of an Indemnifiable Loss that does not result from a Third Party Claim. If the Indemnitor does not so

respond within such 30-day period, the Indemnitor will be deemed to have rejected such claim, in which event the Indemnitee will be entitled to pursue such remedies as may be available to the Indemnitee.

SECTION 7.6. Certain Other Matters. Upon making any Indemnity Payment, Indemnitor will, to the extent of such Indemnity Payment, be subrogated to all rights of Indemnitee against any third Person (other than any Tax authority) in respect of the Indemnifiable Loss to which the Indemnity Payment related. Without limiting the generality or effect of any other provision hereof, each such Indemnitee and Indemnitor will duly execute upon request all instruments reasonably necessary to evidence and perfect the above-described subrogation rights.

ARTICLE VIII.
TERMINATION PRIOR TO CLOSING

SECTION 8.1. Termination of Agreement. This Agreement may be terminated at any time prior to the Closing:

(a) by Cedent or Reinsurer in writing, if there shall be any order, injunction, or decree of any Governmental Authority that prohibits or restrains any party from consummating the transactions contemplated hereby, and such order, injunction or decree shall have become final and non-appealable; provided that the party seeking to terminate this Agreement pursuant to this Section 8.1(a) shall have performed in all material respects its obligations under this Agreement, acted in good faith, and, if binding on such party, used reasonable best efforts to prevent the entry of, and to remove, such order, injunction, or decree in accordance with its obligations under this Agreement;

(b) by Cedent or Reinsurer in writing, if the Closing has not occurred on or prior to June 30, 2016 (as it may be extended, the Deadline Date"), unless the failure of the Closing to occur is the result of a material breach of this Agreement by the party seeking to terminate this Agreement;

(c) by either Cedent or Reinsurer (but only so long as Cedent or Reinsurer, as applicable, is not in material breach of its obligations under this Agreement) in writing, if a breach of any provision of this Agreement that has been committed by the other party would cause the failure of any mutual condition to Closing or any condition to Closing for the benefit of the non-breaching party and such breach is not subsequently waived by the non-breaching party or capable of being cured or is not cured within 30 calendar days after the breaching party receives written notice from the non-breaching party that the non-breaching party intends to terminate this Agreement pursuant to this Section 8.1(c); or

(d) by mutual written consent of Cedent and Reinsurer.

SECTION 8.2. Effect of Termination. If this Agreement is terminated pursuant to Section 8.1, this Agreement shall become null and void and of no further force and effect without liability of either party (or any Representative of such party) to the other party to this Agreement; provided that no such termination shall relieve a party from liability for any breach

of this Agreement prior to such termination or for actual fraud. Notwithstanding the foregoing, Section 1.1, this Section 8.2 and Article IX shall survive termination hereof pursuant to Section 8.1. If this Agreement is terminated pursuant to Section 8.1, (a) Reinsurer shall return all documents received from Cedent, its Affiliates, and its Representatives relating to the transactions contemplated hereby, whether obtained before or after the execution hereof, to Cedent, and (b) all confidential information received by Reinsurer with respect to Cedent and its Affiliates shall be treated in accordance with the Confidentiality Agreement, which shall remain in full force and effect notwithstanding the termination of this Agreement.

ARTICLE IX.
GENERAL PROVISIONS

SECTION 9.1. Fees and Expenses. Each party hereto shall, except as otherwise provided in this Agreement, pay its own Transaction Expenses incident to preparing for, entering into, and carrying out the Transaction Agreements and the consummation of the transactions contemplated thereby.

SECTION 9.2. Notices. Notices and other communications required or permitted to be given under this Agreement shall be effective if in writing and (i) mailed by United States registered or certified mail, return receipt requested, (ii) delivered by overnight express mail, (iii) e-mailed (with confirmation of receipt) or (iv) sent by facsimile transmission (followed by a confirmation mailed by first class or overnight mail) to:

(a) if to Reinsurer:

Protective Life Insurance Company
2801 Highway 280 South
Birmingham, Alabama 35223
Attention: General Counsel
Email: Debbie.Long@protective.com
Facsimile: (205) 268-3597

with a copy (which shall not constitute notice) to:

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Attention: Marilyn Lion, Esq.
E-mail: malion@debevoise.com
Facsimile: (212) 521-7108

(b) if to Cedent:

Genworth Life and Annuity Insurance Company
6620 West Broad Street
Richmond, Virginia 23230
Attn: Legal Department
Facsimile: (804) 662-2414

with a copy (which shall not constitute notice) to:

Genworth Life and Annuity Insurance Company
700 Main Street P.O. Box 1280
Lynchburg, Virginia 24505-1280
Attn: General Counsel
Facsimile: (434) 948-5819

and

Willkie Farr & Gallagher LLP
787 Seventh Avenue
New York, New York 10019
Attention: Alexander M. Dye
E-mail: adye@willkie.com
Facsimile: (212) 728-9642

Either party hereto may change the names or addresses where notice is to be given by providing notice to the other party of such change in accordance with this Section.

SECTION 9.3. Construction.

- (a) Any reference herein to “days” (as opposed to “Business Days”) shall be deemed to mean calendar days.
- (b) Any reference herein to a “consent” shall be deemed to mean prior written consent.
- (c) Any reference herein to “notice” shall be deemed to mean prior written notice.
- (d) Any reference herein to “including” and words of similar import shall mean “including without limitation,” unless otherwise specified.
- (e) When a reference is made in this Agreement to a Section, Exhibit, or Schedule, such reference shall be to a Section of, or an Exhibit or Schedule to, this Agreement, unless otherwise indicated.
- (f) Unless otherwise specified, all references herein to any statute, rule, or regulation are to the statute, rule, or regulation as amended, modified, supplemented or replaced from time to time (and, in the case of statutes, includes any rules and regulations promulgated under said statutes) and to any section of any statute, rule, or regulation, including any successor to said section.

(g) Any fact or item disclosed in any section of each of the Reinsurer Disclosure Schedule or the Cedent Disclosure Schedule shall be deemed disclosed in all other sections of such Disclosure Schedule to the extent the applicability of such fact or item to such other section of such Disclosure Schedule is reasonably apparent. Disclosure of any item in the Reinsurer Disclosure Schedule or the Cedent Disclosure Schedule, as the case may be, shall not be deemed an admission that such item represents a material item, fact, exception of fact, event, or circumstance or that occurrence or non-occurrence of any change or effect related to such item would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(h) The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

(i) Whenever the singular is used herein, the same shall include the plural, and whenever the plural is used herein, the same shall include the singular, where appropriate.

(j) All time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the date on which the period commences and including the date on which the period ends and by extending the period to the first succeeding Business Day if the last day of the period is not a Business Day.

(k) This Agreement has been fully negotiated by the parties hereto and shall not be construed by any Governmental Authority or other Person against either party by virtue of the fact that such party was the drafting party.

SECTION 9.4. Entire Agreement. This Agreement (including all exhibits and schedules hereto), the Confidentiality Agreement and the Reinsurance Agreement constitute the entire agreement, and supersede all prior agreements, understandings, representations, and warranties, both written and oral, among the parties with respect to the subject matter of this Agreement.

SECTION 9.5. Third Party Beneficiaries. Except as set forth in Article VII with respect to the Reinsurer Indemnified Persons and the Cedent Indemnified Persons, this Agreement is not intended to confer upon any Person other than the parties hereto any rights or remedies.

SECTION 9.6. Governing Law. This Agreement and any dispute arising hereunder shall be governed by, and construed in accordance with, the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

SECTION 9.7. Jurisdiction; Enforcement.

(a) Each of the parties hereto hereby irrevocably and unconditionally submits to the exclusive jurisdiction of any court of the United States or any state court, which in either case is located in the City of New York (each, a "New York Court") for purposes of enforcing this Agreement or determining any claim arising from or related to the transactions contemplated by this Agreement. In any such action, suit, or other proceeding, each of the

parties hereto irrevocably and unconditionally waives and agrees not to assert by way of motion, as a defense or otherwise any claim that it is not subject to the jurisdiction of any such New York Court, that such action, suit, or other proceeding is not subject to the jurisdiction of any such New York Court, that such action, suit, or other proceeding is brought in an inconvenient forum or that the venue of such action, suit, or other proceeding is improper; provided that nothing set forth in this sentence shall prohibit any of the parties hereto from removing any matter from one New York Court to another New York Court. Each of the parties hereto also agrees that any final and unappealable judgment against a party hereto in connection with any action, suit, or other proceeding will be conclusive and binding on such party and that such award or judgment may be enforced in any court of competent jurisdiction, either within or outside of the United States. A certified or exemplified copy of such award or judgment will be conclusive evidence of the fact and amount of such award or judgment. Any process or other paper to be served in connection with any action or proceeding under this Agreement shall, if delivered or sent in accordance with Section 9.2, constitute good, proper, and sufficient service thereof.

(b) The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that, without the necessity of posting bond or other undertaking, the parties hereto shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in accordance with this Agreement, this being in addition (subject to the terms of this Agreement) to any other remedy to which such party is entitled at law or in equity. In the event that any Action is brought in equity to enforce the provisions of this Agreement, no party hereto shall allege, and each party hereto hereby waives any defense or counterclaim, that there is an adequate remedy at law.

(c) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (I) NO REPRESENTATIVE, AGENT, OR ATTORNEY OR ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (II) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVER, (III) IT MAKES SUCH WAIVER VOLUNTARILY AND (IV) IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.7.

SECTION 9.8. Assignment. Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be novated, transferred or assigned, in whole or in part, by either party without the non-transferring party's consent; provided that the merger of Cedent with an entity which was under common control with it before such merger, regardless of whether Cedent is the survivor of such merger, shall not be deemed to be an assignment; any such resulting merged entity shall be considered to be Cedent under this Agreement. Upon assignment, this Agreement will be binding upon the respective successors and assigns.

SECTION 9.9. Amendments. This Agreement may be amended only by written agreement of the parties. Any change or modification to this Agreement shall be null and void unless made by amendment to this Agreement and signed by both parties.

SECTION 9.10. Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law or if determined by a court of competent jurisdiction to be unenforceable, and if the rights or obligations of Cedent or Reinsurer under this Agreement will not be materially and adversely affected thereby, such provision shall be fully severable, and this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom.

SECTION 9.11. Waiver. Either party may choose not to enforce or insist upon the strict adherence to any provision or right under this Agreement. If either party so elects, it will not be considered to be a permanent waiver of such provision nor in any way affect the validity of this Agreement. The applicable party will still have the right to insist upon the strict adherence to that provision or any other provision of this Agreement in the future. Any waiver of provisions by a party under this Agreement must be in writing and signed by a duly authorized representative of the party.

SECTION 9.12. Certain Limitations.

(a) Notwithstanding anything to the contrary contained herein, the other Transaction Agreements, the Cedent Disclosure Schedule, or any of the Schedules or Exhibits hereto or thereto, Reinsurer acknowledges and agrees that neither Cedent nor any of its Affiliates, nor any Representative of any of them, makes or has made, and Reinsurer has not relied on, any inducement, promise, representation or warranty, oral or written, express or implied, other than except as expressly made by Cedent in Article III. Without limiting the generality of the foregoing, other than as expressly set forth in Article III, no Person has made any representation or warranty to Reinsurer with respect to the Business or any other matter, including with respect to (i) the probable success or profitability of the Business after the Closing, or (ii) any information, documents, or material made available to Reinsurer, its Affiliates, or their respective Representatives in any "data rooms," information memoranda, management presentations, functional "break-out" discussions, or in any other form or forum in connection with the transactions contemplated by this Agreement, including any estimation, valuation, appraisal, projection, or forecast. With respect to any such estimation, valuation, appraisal, projection, or forecast (including and confidential information memoranda prepared by or on behalf of Cedent in connection with the transactions contemplated by this Agreement), Reinsurer acknowledges that: (i) there are uncertainties inherent in attempting to make such estimations, valuations, appraisals, projections, and forecasts; (ii) it is familiar with such uncertainties; (iii) except as expressly set forth in Section 3.12(b) and Section 5(a) of Article VIII of the Reinsurance Agreement it is not acting and has not acted in reliance on any such estimation valuation, appraisal, projection, or forecast delivered by or on behalf of Cedent to Reinsurer, its Affiliates or their respective Representatives; (iv) such estimations, valuations, appraisals, projections, and forecasts are not and shall not be deemed to be representations or warranties of Cedent or any of its Affiliates except as expressly set forth in Section 3.12(b) and

Section 5(a) of Article VIII of the Reinsurance Agreement; and (v) it shall have no claim against any Person with respect to any such valuation, appraisal, projection, or forecast except with respect to representations and warranties expressly set forth in Section 3.12(b) and Section 5(a) of Article VIII of the Reinsurance Agreement.

(b) Notwithstanding anything in this Agreement to the contrary, Cedent makes no express or implied representation or warranty hereby or otherwise under this Agreement as to the future experience, success or profitability of the Business, whether or not conducted in a manner similar to the manner in which such business was conducted prior to the Closing, that the Insurance Reserves or the assets supporting such Insurance Reserves have been or will be adequate or sufficient for the purposes for which they were established or that the reinsurance recoverables taken into account in determining the amount of such reserves will be collectible, or except as expressly set forth in Section 3.12(a)(ii)(A) and (B), whether such reserves were calculated, established, or determined in accordance with any actuarial, statutory or other standard.

(c) Reinsurer further acknowledges and agrees that it (i) has made its own inquiry and investigation into and, based thereon, has formed an independent judgment concerning the Business, (ii) has been provided adequate access to such information as it has deemed necessary to enable it to form such independent judgment, (iii) has had such time as it deems necessary and appropriate fully and completely to review and analyze such information, documents, and other materials, and (iv) has been provided an opportunity to ask questions of Cedent with respect to such information, documents, and other materials and has received answers to such questions that it considers satisfactory.

(d) Under no circumstances does any of the content of this Agreement or the Reinsurance Agreement constitute an express or implied representation or warranty with respect to the future performance of the Reinsured Policies or of the experience, success or profitability of the Reinsured Policies.

SECTION 9.13. Currency. All financial data required to be provided pursuant to the terms of this Agreement shall be expressed in United States dollars. All settlements of account between Cedent and Reinsurer shall be in cash.

SECTION 9.14. No Offset. No party to this Agreement may offset any amount due to the other party hereto or any of such other party's Affiliates under this Agreement against any amount owed or alleged to be owed from such other party or its Affiliates under this Agreement or any other Transaction Agreement without the written consent of such other party. For clarity, this Section 9.14 shall not be construed to limit or otherwise affect the rights of any such party to offset any mutual debits and credits arising under the Reinsurance Agreement to the extent permitted thereunder.

SECTION 9.15. Counterparts. This Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument. Cedent and Reinsurer agree that transmission of copies of original signatures via electronic means, either by facsimile or as a "scanned" document attached to electronic mail, shall constitute valid execution of this Agreement. In the event of an

electronic exchange of signatures for this Agreement, Cedent and Reinsurer agree to subsequently exchange original “wet” execution signatures of this Agreement within a reasonable time following the electronic exchange of signatures; provided that the failure of any party to exchange original “wet” execution signatures of this Agreement shall in no event affect the validity or enforceability of this Agreement. Such “wet” execution signatures will reflect the date of original execution and thus will be executed in counterpart.

(remainder of page intentionally left blank)

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers, all as of the date first written above.

GENWORTH LIFE AND ANNUITY INSURANCE COMPANY

By: /s/ Lou E. Hensley
Name: Lou E. Hensley
Title: President and CEO

PROTECTIVE LIFE INSURANCE COMPANY

By: /s/ Nancy Kane Curreri
Name: Nancy Kane Curreri
Title: Senior Vice President, Acquisitions

**ASSIGNMENT AND AMENDING AGREEMENT FOR
MASTER AGREEMENT**

This Assignment and Amending Agreement dated October 1, 2015 (this “**Agreement**”) is made by and among Genworth MI Canada Inc., a corporation existing under the laws of Canada (“**Genworth Canada**”), Brookfield Life Assurance Company Limited, a company existing under the laws of Bermuda (“**Brookfield**”), Genworth Holdings, Inc., a corporation existing under the laws of the State of Delaware (“**Genworth Holdings**”), Genworth Financial, Inc., a corporation existing under the laws of the State of Delaware (“**Genworth Financial**”), Genworth Financial Mortgage Insurance Company Canada, a corporation existing under the laws of Canada (“**GFMICC**”) and Genworth Financial International Holdings, LLC, a limited liability company existing under the laws of the State of Delaware (“**GFIH**”).

RECITALS

- A. Genworth Canada, Brookfield, Genworth Holdings, Genworth Financial and GFMICC are parties to a Master Agreement dated July 7, 2009, as amended April 1, 2013 (the “**Master Agreement**”).
- B. Pursuant to Section 8.11 of the Master Agreement, any party to the Master Agreement may assign its rights under the Master Agreement to a third party transferee who agrees in writing to be bound by the terms and conditions of the Master Agreement.
- C. Pursuant to a resolution of the board of directors of Brookfield dated September 24, 2015, Brookfield has declared a distribution payable to GFIH in the form of 37,295,251 common shares in the capital of Genworth Canada and the special share of Genworth Canada (collectively, the “**Transferred Shares**”), being all of the shares of Genworth Canada held by Brookfield.
- D. The Transferred Shares will be distributed by Brookfield to GFIH effective as of the date hereof.
- E. Genworth Financial will undertake an internal reorganization pursuant to which Brookfield will be wound-up and dissolved.
- F. Brookfield wishes to assign its rights and obligations under the Master Agreement to GFIH pursuant to Section 8.11 of the Master Agreement concurrently with the distribution of the Transferred Shares by Brookfield to GFIH.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

- 1. Assignment of Master Agreement. Pursuant to Section 8.11 of the Master Agreement, Brookfield hereby assigns to GFIH all of its rights and obligations under the Master Agreement upon its distribution of the Transferred Shares to GFIH, whereupon GFIH shall become a party to the Master Agreement.
- 2. Assumption of Master Agreement. GFIH covenants and agrees to be bound by all of the terms and conditions of the Master Agreement as if it was an original signatory thereto.
- 3. Acknowledgement of Genworth Canada. Genworth Canada acknowledges the assignment and transfer by Brookfield to GFIH, and the assumption by GFIH, of the rights and obligations of Brookfield under the Master Agreement as set forth in this Agreement.
- 4. Notices. GFIH acknowledges that for the purposes of Section 8.06 of the Master Agreement, all notices, requests, claims, demands and other communications shall be given or made to:

Genworth Financial International Holdings, LLC
6620 West Broad Street, Building 1
Richmond, VA 23230

Attention: Secretary
Phone: (804) 662-2560
Fax: (804) 662-2414

5. Amendment to the Master Agreement. The Master Agreement is hereby amended by deleting Brookfield's address for notices, requests, claims, demands and other communications in Section 8.06 of the Master Agreement.
6. Removal as Party. Following the effectiveness of the distribution of the Transferred Shares by Brookfield to GFIIH, Brookfield will cease to be a party to the Master Agreement.
7. Authority. Each of the parties hereto represents to the other that: (i) it has the corporate (or other organizational) power and authority to execute, deliver and perform this Agreement, (ii) the execution, delivery and performance of this Agreement by it has been duly authorized by all necessary corporate (or other organizational) action and no such further action is required, (iii) it has duly and validly executed and delivered this Agreement, and (iv) this Agreement is a legal, valid and binding obligation, enforceable against it in accordance with the terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equity principles.
8. Part of Master Agreement. This Agreement shall be deemed to form part of the Master Agreement.
9. Governing Law. This Agreement shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable in the Province of Ontario irrespective of the choice of laws principles.
10. Counterparts. This Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or electronic transmission shall be as effective as delivery of a manually executed counterpart of this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF each of the parties hereto has caused this Agreement to be executed on the date first written above by their respective duly authorized officers.

GENWORTH MI CANADA INC.

Per: /s/ Philip Mayers /s/Stuart Levings
Name: Philip Mayers Stuart Levings
Title: SVP & CFO President & CEO

BROOKFIELD LIFE ASSURANCE COMPANY LIMITED

Per: /s/ Richard J. Oelhafen, Jr.
Name: Richard J. Oelhafen, Jr.
Title: Vice President

GENWORTH HOLDINGS, INC.

Per: /s/ Ward E. Bobitz
Name: Ward E. Bobitz
Title: Executive Vice President & General Counsel

GENWORTH FINANCIAL, INC.

Per: /s/ Ward E. Bobitz
Name: Ward E. Bobitz
Title: Executive Vice President & General Counsel

**GENWORTH FINANCIAL MORTGAGE INSURANCE
COMPANY CANADA**

Per: /s/ Philip Mayers /s/Stuart Levings
Name: Philip Mayers Stuart Levings
Title: SVP & CFO President & CEO

**GENWORTH FINANCIAL INTERNATIONAL HOLDINGS,
LLC**

Per: /s/ Ward E. Bobitz
Name: Ward E. Bobitz
Title: Vice President & Secretary

ASSIGNMENT AND AMENDING AGREEMENT FOR
SHAREHOLDER AGREEMENT

This Assignment and Amending Agreement dated October 1, 2015 (this “**Agreement**”) is made by and among Genworth MI Canada Inc., a corporation existing under the laws of Canada (“**Genworth Canada**”), Brookfield Life Assurance Company Limited, a company existing under the laws of Bermuda (“**Brookfield**”), Genworth Holdings, Inc., a corporation existing under the laws of the State of Delaware (“**Genworth Holdings**”), Genworth Financial, Inc., a corporation existing under the laws of the State of Delaware (“**Genworth Financial**”), Genworth Mortgage Insurance Corporation, a corporation existing under the laws of the State of North Carolina (“**GMICO**”), Genworth Mortgage Insurance Corporation of North Carolina, a corporation existing under the laws of the State of North Carolina (“**GMIC NC**”) and Genworth Financial International Holdings, LLC, a limited liability company existing under the laws of the State of Delaware (“**GFIH**”).

RECITALS

- A. Genworth Canada, Brookfield, Genworth Holdings, Genworth Financial, GMICO (including as successor in interest to Genworth Residential Mortgage Assurance Corporation) and GMIC NC are parties to a Shareholder Agreement dated July 7, 2009, as amended April 1, 2013 (the “**Shareholder Agreement**”).
- B. Pursuant to Section 7.06 of the Shareholder Agreement, any member of the Genworth Financial Group may assign the Shareholder Agreement to any other member of the Genworth Financial Group to whom Common Shares or the Special Share of Genworth Canada are transferred and who agrees to become party to and bound by the Shareholder Agreement.
- C. GFIH is a member of the Genworth Financial Group.
- D. Pursuant to a resolution of the board of directors of Brookfield dated September 24, 2015, Brookfield has declared a distribution payable to GFIH in the form of 37,295,251 Common Shares and the Special Share (collectively, the “**Transferred Shares**”), being all of the shares of Genworth Canada held by Brookfield.
- E. The Transferred Shares will be distributed by Brookfield to GFIH effective as of the date hereof.
- F. Genworth Financial will undertake an internal reorganization pursuant to which Brookfield will be wound-up and dissolved.
- G. Brookfield wishes to assign its rights and obligations under the Shareholder Agreement to GFIH in respect of the Transferred Shares pursuant to Section 7.06 of the Shareholder Agreement concurrently with the distribution of the Transferred Shares by Brookfield to GFIH.
- H. Capitalized terms not defined herein (including the Recitals hereto) have the meaning assigned thereto in the Shareholder Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

- 1. Assignment of Shareholder Agreement. Pursuant to Section 7.06 of the Shareholder Agreement, Brookfield hereby assigns to GFIH all of its rights and obligations under the Shareholder Agreement upon its distribution of the Transferred Shares to GFIH, whereupon GFIH shall become an Applicable GNW Shareholder in respect of the Transferred Shares.

2. Assumption of Shareholder Agreement. GFIH covenants and agrees to be bound by all of the terms and conditions of the Shareholder Agreement with respect to the Transferred Shares as if it was an original signatory thereto as an Applicable GNW Shareholder, including agreeing to transfer the Special Share to Genworth Holdings or another member of the Genworth Financial Group immediately prior to GFIH ceasing to be a member of the Genworth Financial Group.
3. Acknowledgement of Genworth Canada. Genworth Canada acknowledges the assignment and transfer by Brookfield to GFIH, and the assumption by GFIH, of the rights and obligations of Brookfield under the Shareholder Agreement with respect to the Transferred Shares as set forth in this Agreement.
4. Notices. GFIH acknowledges that for the purposes of Section 7.03 of the Shareholder Agreement, all notices, requests, claims, demands and other communications shall be given or made to:

Genworth Financial International Holdings, LLC
6620 West Broad Street, Building 1
Richmond, VA 23230

Attention: Secretary
Phone: (804) 662-2560
Fax: (804) 662-2414
5. Amendment to the Shareholder Agreement. The Shareholder Agreement is hereby amended by deleting Brookfield's address for notices, requests, claims, demands and other communications in Section 7.03 of the Shareholder Agreement.
6. Removal as Party. Following the effectiveness of the distribution of the Transferred Shares by Brookfield to GFIH, Brookfield will cease to be a party to the Shareholder Agreement.
7. Authority. Each of the parties hereto represents to the other that: (i) it has the corporate (or other organizational) power and authority to execute, deliver and perform this Agreement, (ii) the execution, delivery and performance of this Agreement by it has been duly authorized by all necessary corporate (or other organizational) action and no such further action is required, (iii) it has duly and validly executed and delivered this Agreement, and (iv) this Agreement is a legal, valid and binding obligation, enforceable against it in accordance with the terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equity principles.
8. Part of Shareholder Agreement. This Agreement shall be deemed to form part of the Shareholder Agreement.
9. Governing Law. This Agreement shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable in the Province of Ontario irrespective of the choice of laws principles.
10. Counterparts. This Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or electronic transmission shall be as effective as delivery of a manually executed counterpart of this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF each of the parties hereto has caused this Agreement to be executed on the date first written above by their respective duly authorized officers.

GENWORTH MI CANADA INC.

Per: /s/ Philip Mayers /s/Stuart Levings
Name: Philip Mayers Stuart Levings
Title: SVP & CFO President & CEO

BROOKFIELD LIFE ASSURANCE COMPANY LIMITED

Per: /s/ Richard J. Oelhafen, Jr.
Name: Richard J. Oelhafen, Jr.
Title: Vice President

GENWORTH HOLDINGS, INC.

Per: /s/ Ward E. Bobitz
Name: Ward E. Bobitz
Title: Executive Vice President & General Counsel

GENWORTH FINANCIAL, INC.

Per: /s/ Ward E. Bobitz
Name: Ward E. Bobitz
Title: Executive Vice President & General Counsel

GENWORTH MORTGAGE INSURANCE CORPORATION

Per: /s/ Peter A. Kolbe
Name: Peter A. Kolbe
Title: Vice President

**GENWORTH MORTGAGE INSURANCE CORPORATION OF
NORTH CAROLINA**

Per: /s/ Peter A. Kolbe
Name: Peter A. Kolbe
Title: Vice President

**GENWORTH FINANCIAL INTERNATIONAL HOLDINGS,
LLC**

Per: /s/ Ward E. Bobitz
Name: Ward E. Bobitz
Title: Vice President & Secretary



Accession and Retirement Deed

Genworth Financial International Holdings, Inc.

Genworth Holdings, Inc.

Brookfield Life Assurance Company Limited

Genworth Financial, Inc.

Genworth Mortgage Insurance Australia Limited

Accession of Genworth Holdings and retirement of GFIH

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THIS DEED is made on 15 September 2015

BETWEEN:

- (1) Genworth Financial International Holdings, Inc. (**GFIH**);
- (2) Genworth Holdings, Inc. (**Genworth Holdings**);
- (3) Brookfield Life Assurance Company Limited (**Brookfield**);
- (4) Genworth Financial, Inc. (**GFI**); and
- (5) Genworth Mortgage Insurance Australia Limited ACN 154 890 730 (the **Company**).

RECITALS:

- (A) GFIH, Brookfield, GFI and the Company are parties to the Shareholder Agreement.
- (B) GFIH and Brookfield are partners of an Australian general partnership pursuant to a Partnership Agreement dated 23 April 2014, as amended from time to time (**Partnership**). Certain shares in the Company are held by GFIH and Brookfield as partners.
- (C) GFIH has agreed to transfer its entire interest in the Partnership to Genworth Holdings. As a result of the transfer of GFIH's interest in the Partnership, Genworth Holdings (as the new partner) will be a shareholder in the Company and will agree to be bound by the Shareholder Agreement, and GFIH will cease to be a shareholder in the Company and will cease to be a party to the Shareholder Agreement.

THE PARTIES AGREE AS FOLLOWS:

1. **INTERPRETATION**

1.1 **Definitions**

The following definitions apply in this document.

Effective Date means the date on which GFIH transfers its interest in the Partnership to Genworth Holdings.

Shareholder Agreement means the Shareholder Agreement between Brookfield, GFIH, GFI and the Company dated 21 May 2014, as amended from time to time.

Stated Time means 5.00pm on the Effective Date.

1.2 **Rules for interpreting this document**

Headings are for convenience only, and do not affect interpretation. The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply.

- (a) A term (other than a term defined in this document) that is defined in the Shareholder Agreement has the same meaning in this document.
- (b) The rules specified in clause 1.2 of the Shareholder Agreement apply in interpreting this document.

2. **ACCESSION AND RETIREMENT TO THE SHAREHOLDER AGREEMENT**

- (a) With effect from the Stated Time:
- (i) Genworth Holdings is taken to be a party to the Shareholder Agreement;
 - (ii) Genworth Holdings agrees to be bound by the provisions of the Shareholder Agreement;
 - (iii) GFIH ceases to be bound by, and ceases to be a party to, the Shareholder Agreement; and
 - (iv) a reference in the Shareholder Agreement to “Shareholderco” as the Partnership between Brookfield and GFIH means the Partnership as between Brookfield and Genworth Holdings as at completion of the transfer by GFIH of its interest in the Partnership to Genworth Holdings.
- (b) Each party to this document agrees to, and acknowledges the effect of, the accession and retirement contemplated in paragraph (a) above. The Shareholder Agreement is confirmed as remaining in full force and effect.

3. **GENERAL**

3.1 **Governing law**

This document is governed by the laws of the State of New South Wales.

3.2 **Giving effect to this document**

Each party to this document must do anything (include executing any document), and must ensure that its employees and agents do anything (including executing any document), that any other party may reasonably require to give full effect to this document.

3.3 **Counterparts**

This document may be executed in counterparts.

EXECUTED as a deed.

SIGNED, SEALED and DELIVERED by **GENWORTH FINANCIAL INTERNATIONAL HOLDINGS, INC.:**



/s/ Theresa A. Myers
Signature of witness

/s/ Ward E. Bobitz
Signature of authorised signatory

Theresa A. Myers
Name

Ward E. Bobitz
Name

SIGNED, SEALED and DELIVERED by **GENWORTH HOLDINGS, INC.:**



/s/ Theresa A. Myers
Signature of witness

/s/ Ward E. Bobitz
Signature of authorised signatory

Theresa A. Myers
Name

Ward E. Bobitz
Name

SIGNED, SEALED and DELIVERED by **BROOKFIELD LIFE ASSURANCE COMPANY LIMITED:**



/s/ Nancy Eve Staples
Signature of witness

/s/ Richard J. Oelhafen, Jr.
Signature of authorised signatory

Nancy Eve Staples
Name

Richard J. Oelhafen, Jr.
Name



SIGNED, SEALED and DELIVERED by GENWORTH FINANCIAL, INC.:

/s/ Theresa A. Myers
Signature of witness

Theresa A. Myers
Name

**SIGNED, SEALED and DELIVERED by GENWORTH MORTGAGE
INSURANCE AUSTRALIA LIMITED ACN 154 890 730:**

/s/ Ellen Comerford
Signature of director

Ellen Comerford
Name

/s/ Ward E. Bobitz
Signature of authorised signatory

Ward E. Bobitz
Name

/s/ Jonathan Downes
Signature of ~~director~~ secretary

Jonathan Downes
Name



Accession and Retirement Deed
Genworth Financial International Holdings, LLC
Genworth Holdings, Inc.
Brookfield Life Assurance Company Limited
Genworth Financial, Inc.
Genworth Mortgage Insurance Australia Limited
Accession of GFIIH and retirement of Brookfield

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THIS DEED is made on 1 October 2015

BETWEEN:

- (1) Genworth Financial International Holdings, LLC (**GFIH**);
- (2) Genworth Holdings, Inc. (**Genworth Holdings**);
- (3) Brookfield Life Assurance Company Limited (**Brookfield**);
- (4) Genworth Financial, Inc. (**GFI**); and
- (5) Genworth Mortgage Insurance Australia Limited ACN 154 890 730 (the **Company**).

RECITALS:

- (A) Genworth Holdings, Brookfield, GFI and the Company are parties to the Shareholder Agreement.
- (B) Genworth Holdings and Brookfield are partners of an Australian general partnership pursuant to a Partnership Agreement dated 23 April 2014, as amended from time to time, and including, for the avoidance of doubt, the Deed for Transfer of Partnership Interest dated 15 September 2015 (**Partnership**). Certain shares in the Company are held by Genworth Holdings and Brookfield as partners.
- (C) Brookfield has agreed to transfer its entire interest in the Partnership to GFIH. As a result of the transfer of Brookfield's interest in the Partnership, GFIH (as the new partner) will be a shareholder in the Company and will agree to be bound by the Shareholder Agreement, and Brookfield will cease to be a shareholder in the Company and will cease to be a party to the Shareholder Agreement.

THE PARTIES AGREE AS FOLLOWS:

1. **INTERPRETATION**

1.1 **Definitions**

The following definitions apply in this document.

Effective Date means the date on which Brookfield transfers its interest in the Partnership to GFIH.

Shareholder Agreement means the Shareholder Agreement between Brookfield, GFIH, GFI and the Company dated 21 May 2014, as amended from time to time, and including, for the avoidance of doubt, the Accession and Retirement Deed dated 15 September 2015.

Stated Time means 5.00pm on the Effective Date.

1.2 **Rules for interpreting this document**

Headings are for convenience only, and do not affect interpretation. The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply.

- (a) A term (other than a term defined in this document) that is defined in the Shareholder Agreement has the same meaning in this document.

(b) The rules specified in clause 1.2 of the Shareholder Agreement apply in interpreting this document.

2. **ACCESSION AND RETIREMENT TO THE SHAREHOLDER AGREEMENT**

(a) With effect from the Stated Time:

- (i) GFIH is taken to be a party to the Shareholder Agreement;
- (ii) GFIH agrees to be bound by the provisions of the Shareholder Agreement;
- (iii) Brookfield ceases to be bound by, and ceases to be a party to, the Shareholder Agreement; and
- (iv) a reference in the Shareholder Agreement to “Shareholderco” as the Partnership between Brookfield and Genworth Holdings means the Partnership as between GFIH and Genworth Holdings as at completion of the transfer by Brookfield of its interest in the Partnership to GFIH.

(b) Each party to this document agrees to, and acknowledges the effect of, the accession and retirement contemplated in paragraph (a) above. The Shareholder Agreement is confirmed as remaining in full force and effect.

3. **GENERAL**

3.1 **Governing law**

This document is governed by the laws of the State of New South Wales.

3.2 **Giving effect to this document**

Each party to this document must do anything (include executing any document), and must ensure that its employees and agents do anything (including executing any document), that any other party may reasonably require to give full effect to this document.

3.3 **Counterparts**

This document may be executed in counterparts.

EXECUTED as a deed.

SIGNED, SEALED and DELIVERED by **GENWORTH FINANCIAL INTERNATIONAL HOLDINGS, LLC:**



/s/ Theresa A. Myers

Signature of witness

Theresa A. Myers

Name

/s/ Ward E. Bobitz

Signature of authorised signatory

Ward E. Bobitz

Name



SIGNED, SEALED and DELIVERED by **GENWORTH HOLDINGS, INC.:**

/s/ Theresa A. Myers

Signature of witness

Theresa A. Myers

Name

/s/ Ward E. Bobitz

Signature of authorised signatory

Ward E. Bobitz

Name



SIGNED, SEALED and DELIVERED by **BROOKFIELD LIFE ASSURANCE COMPANY LIMITED:**

/s/ Theresa A. Myers

Signature of witness

Theresa A. Myers

Name

/s/ Richard J. Oelhafen, Jr.

Signature of authorised signatory

Richard J. Oelhafen, Jr.

Name



SIGNED, SEALED and DELIVERED by GENWORTH FINANCIAL, INC.:

/s/ Theresa A. Myers
Signature of witness

Theresa A. Myers
Name

**SIGNED, SEALED and DELIVERED by GENWORTH MORTGAGE
INSURANCE AUSTRALIA LIMITED ACN 154 890 730:**

/s/ Ellen Comerford
Signature of director

Ellen Comerford
Name

/s/ Ward E. Bobitz
Signature of authorised signatory

Ward E. Bobitz
Name

/s/ Jonathan Downes
Signature of ~~director~~/secretary

Jonathan Downes
Name

Genworth Financial, Inc.
Statement of Ratio of Income to Fixed Charges
(Dollar amounts in millions)

	Nine months ended	Years ended December 31,				
	September 30, 2015	2014	2013	2012	2011	2010
Income (loss) from continuing operations before income taxes and accounting changes	\$ 188	\$(1,299)	\$ 993	\$ 645	\$ (10)	\$ (255)
Less: income attributable to noncontrolling interests before income taxes	197	262	210	270	190	199
Income (loss) from continuing operations before income taxes and accounting changes and excluding income attributable to noncontrolling interests	<u>\$ (9)</u>	<u>\$(1,561)</u>	<u>\$ 783</u>	<u>\$ 375</u>	<u>\$ (200)</u>	<u>\$ (454)</u>
Fixed charges included in income (loss) from continuing operations:						
Interest expense	\$ 307	\$ 418	\$ 440	\$ 422	\$ 458	\$ 403
Interest portion of rental expense	4	8	8	9	10	9
Subtotal	311	426	448	431	468	412
Interest credited to investment contractholders	540	737	738	775	794	841
Total fixed charges from continuing operations	<u>\$ 851</u>	<u>\$ 1,163</u>	<u>\$1,186</u>	<u>\$1,206</u>	<u>\$1,262</u>	<u>\$1,253</u>
Income (loss) from continuing operations available for fixed charges (including interest credited to investment contractholders)	<u>\$ 842</u>	<u>\$ (398)</u>	<u>\$1,969</u>	<u>\$1,581</u>	<u>\$1,062</u>	<u>\$ 799</u>
Ratio of income (loss) from continuing operations available for fixed charges to fixed charges from continuing operations (including interest credited to investment contractholders)	<u>0.99</u>	<u>(0.34)</u>	<u>1.66</u>	<u>1.31</u>	<u>0.84</u>	<u>0.64</u>
Income (loss) from continuing operations available for fixed charges (excluding interest credited to investment contractholders)	<u>\$ 302</u>	<u>\$(1,135)</u>	<u>\$1,231</u>	<u>\$ 806</u>	<u>\$ 268</u>	<u>\$ (42)</u>
Ratio of income (loss) from continuing operations available for fixed charges to fixed charges from continuing operations (excluding interest credited to investment contractholders)	<u>0.97</u>	<u>(2.66)</u>	<u>2.75</u>	<u>1.87</u>	<u>0.57</u>	<u>(0.10)</u>

For the nine months ended September 30, 2015, our deficiency in income from continuing operations necessary to cover fixed charges was \$9 million. For the years ended December 31, 2014, 2011 and 2010, our deficiency in income from continuing operations necessary to cover fixed charges was \$1,561 million, \$200 million and \$454 million, respectively.

CERTIFICATIONS

I, Kelly L. Groh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Genworth Financial, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 30, 2015

/s/ Kelly L. Groh

Kelly L. Groh
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

CERTIFICATIONS

I, Thomas J. McInerney, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Genworth Financial, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 30, 2015

/s/ Thomas J. McInerney

Thomas J. McInerney
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
(AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

I, Thomas J. McInerney, as President and Chief Executive Officer of Genworth Financial, Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

- (1) the accompanying Quarterly Report on Form 10-Q of the Company for the nine months ended September 30, 2015 (the "Report"), filed with the U.S. Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 30, 2015

/s/ Thomas J. McInerney
Thomas J. McInerney
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
(AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

I, Kelly L. Groh, as Executive Vice President and Chief Financial Officer of Genworth Financial, Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

- (1) the accompanying Quarterly Report on Form 10-Q of the Company for the nine months ended September 30, 2015 (the "Report"), filed with the U.S. Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: October 30, 2015

/s/ Kelly L. Groh
Kelly L. Groh
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)